

## NEWS SUMMARY

## GENERAL

## BUSINESS

## Move to control councils' spending

**Bank's proposals on assets criticised**

Within two years, existing machinery for funding local government will be removed and tighter Whitehall controls placed on councils' spending, according to Government plans.

The Local Government, Planning and Land Bill, due out shortly, contains proposals to replace the rate-support grant with a "unitary" grant system by 1981-82.

Councils will be told individually how much they should spend on services and how much they should collect in rates. Back page

## Rhodesia talks

Vigorous diplomatic efforts to find areas of compromise between Britain and the Patriotic Front Rhodesian guerrilla alliance gathered pace with Mr. Michael Mandley, Jamaican Prime Minister, a central figure. Back page

## Abortion march

Thousands marched through London in a TUC-organised protest against the Abortion (Amendment) Bill, which seeks to reduce the time limit in pregnancy for abortion. Picture, Page 7

## Commuter costs

Average London commuter will have of work almost a day a week merely to pay his fares if he goes up by the expected 20 per cent, said a transport costs working party.

## N-plant fine

Operators of the Three Mile Island nuclear power station in Pennsylvania have been fined \$155,000 (£73,700) in connection with the accident at the plant last March.

## Callaghan test

Labour's Left-wing will this week formally oppose the call by Mr. James Callaghan, for wider representation for MPs on the inquiry into the party's organisation. Back Page

## Iran oil threat

Iranian oil industry employees threatened to cut crude exports to the U.S. unless Washington agreed to extradite the former Shah, who is undergoing treatment for cancer in New York. Page 4

## Emigration move

East Germany has stopped taking payments from Bonn to let political prisoners flee to the West and thus none of the political detainees due for release under a current amnesty will be allowed to emigrate to the West, it was reported in East Berlin.

## UK missile plan

Government is studying a plan to give the RAF U.S.-supplied Tomahawk cruise missiles to be armed with nuclear warheads and based in eastern England.

## Briefly . . .

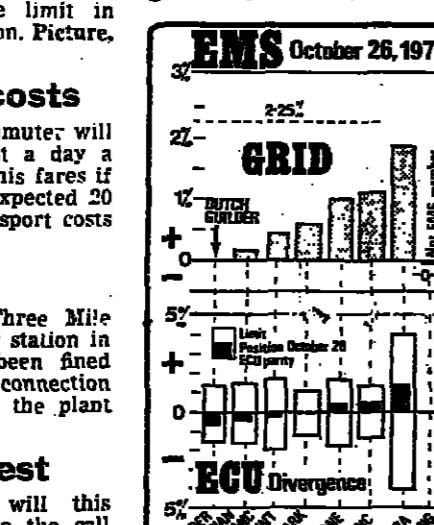
Four golfers holed in one, three at the second hole, at Daventry Golf Club

Manchester became England's first city to get a British Airways shuttle link with Heathrow. Page 7

Christie's three-day New York sale of art nouveau and art deco totalled \$2.5m (£1.2m).

Soldier was killed and two policemen wounded by gunmen outside a west Belfast police station.

Armed men scoured hills near Loch Ness, Highland, after a farmer reported a lioness hunting his horses. Page 3



## South Korea puts armed forces on alert 'for survival'

BY CHARLES SMITH IN SEOUL

South Korea's armed forces were placed on alert yesterday following the dramatic assassination of the country's dictator for 18 years.

The sudden death of President Park Chung Hee has left the country in a state of shock. Last night Mr. Choi Kyu-Ab, the Prime Minister, who took over as acting President, appealed for calm to the country's 37m people "to protect the nation and safeguard our survival."

Fears that the hard-line Communist régime in North Korea might exploit the situation were temporarily allayed after a stiff warning from Washington to the North Koreans not to intervene and the placing of the 38,500 U.S. troops in South Korea on alert.

President Jimmy Carter followed this up by sending a message to Mr. Choi saying that the U.S. would stand by its treaty commitments to defend South Korea, a country of strategic importance, against attack under the two countries' mutual defence pact.

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There were no signs of unrest in the capital, Seoul, yesterday apart from stationing of troops outside key government buildings. But the situation in a country which has witnessed rapid economic growth, has attracted enormous foreign investment from the West, remains a focus of East-West tension, is highly unpredictable.

The immediate question must focus on the struggle for the succession and whether the army moves to seize control in the power vacuum created by the killing of President Park. This would appear to link the killing with large-scale riots 10 days ago in the port of Pusan after, and to some extent because of, Government measures to suppress a campaign for constitutional reform by the increasingly powerful

The martial law administration said that President Park was killed in a "premeditated conspiracy" by Mr. Kim and not, as earlier claimed, in an accidental clash with the head of the Presidential bodyguard, Mr. Cha Cai Choi.

Mr. Kim's motive for shooting President Park is described as anger at criticisms levelled at his service for its "poor handling" of internal security problems.

Given the weaknesses of the electoral system the real task of choosing a successor by an electoral college, the National Conference for Unification.

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## CRISIS IN KOREA

# Deep divisions lead to the shooting of President Park

The situation in South Korea is assessed by Charles Smith in Seoul, Jurek Martin in Washington and David Housego in London.

ALTHOUGH responsibility for the killing of the uncompromising anti-communist President Park Chung-hee last Friday seems to rest with the head of the extremely powerful Korean Central Intelligence Agency—a key Government body who is said to have been angered by attacks on his personal competence—the assassination fits into a broader and more turbulent political framework.

Tensions have been growing since early this year between Mr. Park's regime and the opposition New Democratic Party on the issue of constitutional reform. By mid-October these had become powerful enough to spark off riots in the southern port city of Pusan. These were certainly the most serious riots to occur in Korea since 1960 when student demonstrators in Seoul forced the resignation of the authoritarian President Syngman Rhee.

President Park moved tanks and troops into Pusan. Arguments about the responsibility

## Diary of events in Korea

1945 Japanese rule ends after 36 years. Russians occupy north. Americans the south. Unification planned after free elections but rival governments set up. 1948 Kim Il-sung becomes leader of north.

1950 Korean war. North Korea attempts to unify country by force and with Chinese support invades South. UN force sent to South.

1953 Armistice signed.

1960 Students' riots topple South Korean Government.

1961 Park Chung-hee takes over after military coup.

1968 North Korean assassination squad reaches within a mile of Park's palace before being wiped out.

1972 Martial Law declared.

1974 Emergency decree bans all dissident movements. Park's wife killed during assassination attempt on President. First North Korean tunnel under demilitarised zone discovered.

1975 All criticism of Park and his Government banned.

1977 "Koreagate" scandal in Washington over influence-buying in U.S. President Jimmy Carter proposes withdrawing all American combat troops.

1978 Park re-elected for another six years by electoral college. President Carter freezes troop withdrawal plans after reassessment of North Korean strength.

October 1979 Riots in Pusan. South Korea's second largest city over expulsion of opposition leader, Kim Young-sam from national assembly.

## Attitudes to Seoul undergo reappraisal in Washington

TEN DAYS ago, in Seoul, Dr. Harold Brown, the U.S. Secretary of Defence, sought to resolve an apparent ambivalence in U.S. attitudes and policies towards South Korea.

"Some questions have been raised," he said, "about how our security relationship with Korea relates to Korean domestic politics and human rights in this country."

"Let me simply say that our security role in Korea is based on fundamental strategic interests of the United States."

That commitment, which had been much in doubt in the earlier days of the Carter Administration in Washington, late President Park's role in

assumes new significance in the wake of the assassination of President Park Chung-hee.

Over the weekend, U.S. officials here were able to throw little light on the circumstances of President Park's demise.

They drew consolation from the fact that there appeared to be no North Korean involvement in the affair, but the U.S. nonetheless issued a general warning to all countries not to take advantage of the turmoil in the country and put its forces there on special alert to deal with any contingencies.

President Carter issued a guarded statement praising the late President Park's role in

directing the Korean economic renaissance.

The U.S. clearly prefers that whoever succeeds President Park should move to liberalise political life and seek to encourage popular democracy—but not at the cost of trying to diminish the current American military presence in South Korea.

This consists of about 38,500 troops and support staff. The bulk of the force comprises about 30,000 members of the second U.S. infantry division, the 8,000 strong air wing largely equipped with 72 F-4 fighter aircraft, some with nuclear missile capability. There are also at least 12 batteries of the Hawk

surface-to-air missile.

This force supports the 525,000 strong South Korean army.

In the event of an invasion from North Korea, invoking the obligations of the mutual defence treaty, it would be supplemented by the air and naval strength of the U.S. Seventh Fleet and from the Pacific division of the marine corps.

When Mr. Carter assumed office, he did so on a campaign promise substantially to reduce American forces in Korea.

But in the last year there has been a re-evaluation by the U.S. intelligence community of the build-up in North Korea's mili-

itary forces. As a result, the phased withdrawal of U.S. forces, which was begun last year, has been frozen until 1981.

The decision to stop troop withdrawals was attacked domestically as President Jimmy Carter breaking a promise.

U.S. sensitivity to Korean practices had, of course, been heightened by the revelations of the "Koreagate" scandals (in which Korean agents had paid substantial sums to U.S. congressmen in return for political support) and by a more general distaste for President Park's clear violations of Korean human rights.

When he visited Seoul this summer, Mr. Carter publicly urged his host to cut back the repression that had marked his regime. Mr. Carter also made a point of conferring with President Park's opponents.

But, in walking a fine line, Mr. Carter also made it clear that the U.S. commitment to South Korea's territorial integrity remained intact. Even though the U.S. also temporarily withdrew its ambassador from Seoul earlier this month in protest against President Park's sacking of Mr. Kim Young-sam, the opposition leader, it was clearly stated that there was no linkage between Korea's domestic affairs and the U.S. military commitment.

## Protectionism compounds the problems of inflation

THE SHOOTING of President Park comes at a time when South Korea is experiencing the first major setback to its record of high economic growth over the past 15 years.

As a result of a worryingly high rate of inflation and the slowing down of exports both because of a loss of competitiveness of Korean industry and protectionism abroad, the government early this year adopted a deflationary policy of slower growth and tight controls on the expansion of the money supply.

As a result, bankruptcies and unemployment have increased—one of the first signs of industrial unrest was a sit-in by textile workers objecting to the closure of their factory—while there has been continuing grumbling in the towns at high prices, shortages of consumer items and growing disparities of wealth.

President Park's regime was prepared to accept these social

strains in the hope of bringing inflation down from an estimated 30 per cent last year to single figures. Also, by curbing the rate of growth to a projected 6.5 per cent for 1979-80 after 12 per cent last year, the regime was seeking to encourage a major change in industry's emphasis away from high-cost labour-intensive manufacturing into high technology sectors that would produce greater value added.

Restrictions in the U.S. market in particular, which absorbs 31 per cent of Korean exports, have added to the country's present economic troubles.

Dominating both domestic

industry and exports are the 12

large trading houses (Daewoo,

Samsung, Hyundai and others)—large diversified groupings

with interests extending from shipbuilding to electronics and with close ties to the military and bureaucratic elite. The trading houses accounted for 32 per cent of exports last year.

### Favourable commercial borrowing terms

Korea's success has meant that it has been able to attract among the most favourable commercial borrowing terms of any developing country. It has borrowed heavily both to finance growth, lengthen maturities on existing loans, and add to its reserves, raising \$2.3bn of Eurocredits in the first nine months of this year against \$2.6bn in 1978.

Bankers believe that it has virtually completed its borrowing programme for this year. Outstanding debt at the end of 1978 was \$10.5bn. Foreign investment has been

running at \$100m a year over the past three years but slowing down recently. Toshiba has said, for instance, that it sees no new opportunities for the next 2-3 years because of doubts over the country's economic prospects. Japan and the U.S. have dominated overseas investment.

[Japan accounts for almost 60 per cent of all foreign investment in the country, our Tokyo staff writes. However, Japanese businessmen have been among those reassessing their long-term commitments as inflation erodes their profits. Of a total of 1,328 joint ventures started up in South Korea by investors worldwide almost 500 have pulled out or let their agreements lapse.]

Among British companies with an involvement are Hill Samuel, Lucas CAV, and Spirax Sarco. Indicative of the immense foreign interest in Korea is the impressive list of about 30 major foreign banks with representative offices there.

Average GNP per head is now about \$944—high even for the newly industrialised world. Because of the regime's emphasis on the rural sector, this has been more evenly distributed than in most countries. It has only been in the last year that the rich appear to have embarked on a spending spree which has exacerbated social tensions. The official Tass news agency has suggested that the assassination was instigated by the U.S. and recalled the assassination of South Vietnamese President Ngo Dinh Diem. "Only the future will show whether it was a preventive action for replacing one puppet with another," Tass said. Reuter adds: North Korea said yesterday that the killing of President Park reflected a growing political crisis and social chaos in South Korea. The comment was the first direct reaction from the North to the death of President Park.

They include Bank of America, Citibank, Chase Manhattan, Lloyds, Barclays, Bank of Tokyo, Bank of Fuji, American Express, Morgan Guaranty, Daichi Kangyo Bank, Credit Lyonnais, Bank of Montreal and Grindlays. Other major interests read like a multi-nationals' hall of fame: Brown Boveri, ITT, Deutsche Babcock, Shell...

### Commitment to long-term expansion

Bankers and foreign businessmen yesterday were hoping that whatever new regime consolidates itself in power will carry on with the commitment to a long-term expansion of national wealth that President Park and his planners had made their aim. At this stage, after 18 years of arbitrary rule this can only be a hope.

Average GNP per head is

now about \$944—high even for the newly industrialised world. Because of the regime's emphasis on the rural sector, this has been more evenly distributed than in most countries. It has only been in the last year that the rich appear to have embarked on a spending spree which has exacerbated social tensions. A major goal of the stabilisation measures introduced earlier this year is to bring the growth of the money supply down from 35 per cent in 1978 to 25 per cent this year. In part the high rate of monetary expansion has been due to workers' remittances from the Middle East.

The credit squeeze has affected smaller companies most sharply while the larger trading houses have continued to have access to credit. One of the most pressing problems facing the new government will be whether or not to relax the deflationary controls.

## Barre to go back to work

M. Raymond Barre, the French Prime Minister, will resume his official duties today, after his discharge from hospital at the weekend, Terry Dodsworth writes from Paris. An official bulletin said he was ready to resume work after nine days of treatment "for high blood pressure brought on by a very long period of intense activity."

M. Barre will return to a full programme of work, including, in particular, ministerial meetings and conferences with the leaders of the parliamentary majority. High on his list of priorities will be to seek a way out of the impasse provoked by Parliament's rejection of the revenue provisions for the 1980 budget.

This means that the Committee's proposals are endorsed by M. Barre's next month, it would take a weighted majority of the Council of Ministers to overturn the amendments on farm spending. The committee is confident that, given Britain's position on agricultural spending, the Council could not muster such a majority. But the committee is determined to use every means at its disposal to influence the Council. The supplementary Budget for 1979 is seen as an ideal bargaining counter towards this end.

The committee seems to be hoping to persuade the Parliament to postpone voting on the supplementary Budget until its second session in November. The fate of the other five miners was unknown.

Rescue workers saved 110 miners and found 12 bodies yesterday, after a fire had trapped 127 workers in a coal mine, AP reports from Seoul. The fate of the other five miners was unknown.

## Only 3 nations could build bomb'

BY DAVID FISHLOCK, SCIENCE EDITOR

ONLY THREE potential new nuclear weapon countries—South Africa, Israel and India—could have accumulated sufficient explosive material to make an atomic bomb.

This is the conclusion of the latest report from the International Consultative Group on Nuclear Energy, a top-level committee of nuclear experts backed by Chatham House and the Rockefeller Foundation.

The report appears at a time when the U.S. is trying to resolve whether a nuclear explosion took place in the Indian Ocean last month and, if so, who conducted the tests.

It estimates that it would cost a country wishing to manu-

facture nuclear explosives 20-60 times as much to do this as a by-product of a nuclear power programme as it would to do it as a military research project.

The report was drafted by Mr. David Fischer, assistant director-general of the International Atomic Energy Agency, for discussion within the Consultative Group.

The study finds that 12 countries which are not nuclear weapon states, but which none the less refuse to sign the Non-Proliferation Treaty, are each operating at least one significant nuclear facility, such as a research reactor.

But, of the 12, seven have

opened to international inspection all their nuclear facilities, of which the agency is aware. The seven are Argentina, Brazil, Chile, Colombia, North Korea, Pakistan and Turkey.

Two more, Egypt and Spain, each have one facility which is not open to international inspection, but which "probably has no significance from a proliferation point of view."

Each of the remaining three, it says, is capable of producing unsafeguarded nuclear weapons-grade material—plutonium in the case of India and Israel and enriched uranium in the case of South Africa.

The report notes that the reactor which Cuba plans to

## Kampuchea rejects food relief by land plan

BY PHILIP BOWRING IN BANGKOK

THE VIETNAM-backed Heng Samrin Government in Kampuchea has categorically rejected an American initiative that food relief be supplied to the country by land across the Thai border.

The regime, according to the Vietnamese News Agency, described the plan, aimed at speeding up relief deliveries, as an "ill-intended trick."

Last week three U.S. senators who visited Phnom Penh expressed optimism that the regime would accept the proposal. They had been told that the security of truck convoys

acquire from the Soviet Union will be open to international inspection, even though Cuba does not intend to sign the non-proliferation treaty.

• Vice-Admiral J. C. Walters, Chief of the South African Navy, said yesterday that reports of a nuclear explosion near South Africa might be the result of an accident aboard a Soviet nuclear submarine. Reuter reports in Pretoria.

• A "very powerful" underground nuclear explosion was set off early yesterday by the Soviet Union in the Semipalatinsk area in Western Siberia. The Uppsala Seismological Institute said, AP reports in Stockholm:

the year, though at present the water level is still high.

A truck route from Thailand would not only be very much faster, but would enable delivery of food directly to wherever it was needed. Lack of trucks makes it difficult to distribute food even once it has been unloaded at Phnom Penh or Kompong Som.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates \$365.00 per annum. Second class postage paid at New York, N.Y., and at additional mailing centres.



## Kremlin seeks to exert restraint

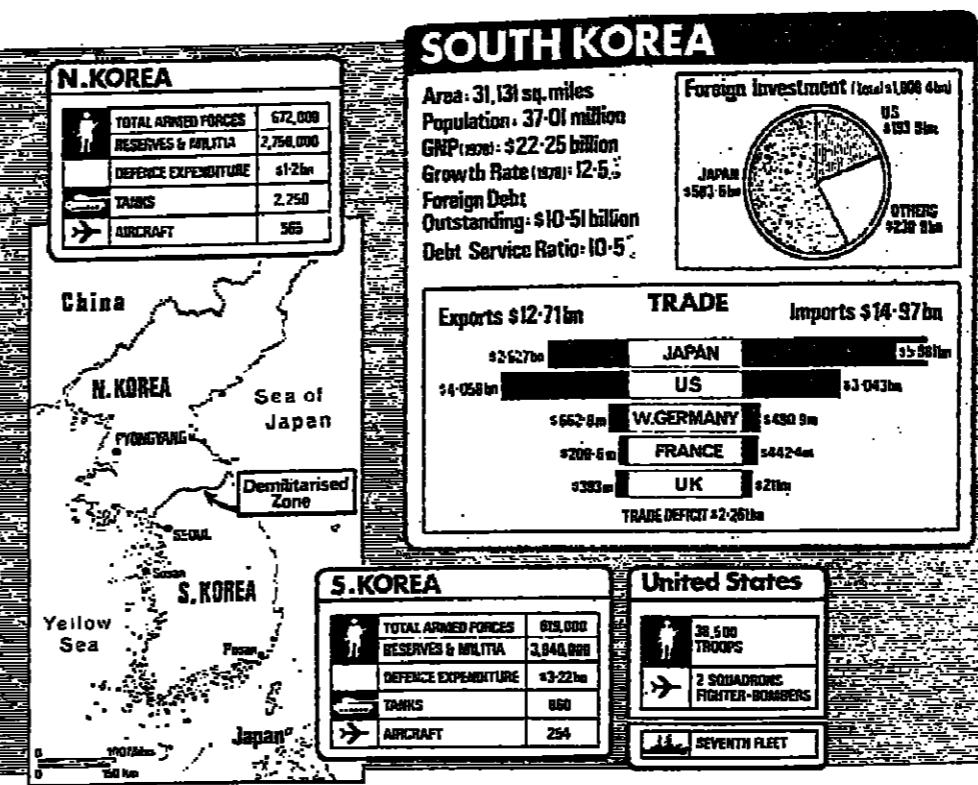
IT IS thought highly unlikely that the Kremlin, for fear of U.S. Senate defeat of the SALT-II treaty and damage to other foreign policy goals, would encourage North Korea to seek any advantage from the turmoil in South Korea following the assassination of President Park Chung-hee, writes our Moscow correspondent.

The swift and blunt U.S. warning to Kim Il-sung of North Korea, and to the Soviets and others against meddling, coupled with alert orders to the U.S. troops in Korea, can leave no doubt in Moscow's mind of the grave consequences sure to flow from any move to interfere.

The cautious leadership, President Leonid Brezhnev, now in its 16th year, has repeatedly exercised considerable restraint in dealing with such unexpected episodes in sensitive areas.

South Korea is precisely that kind of area and analysts here seem united in the belief that the Kremlin will steer clear of seeking anything more than a propaganda windfall from the shootings of Park and his bodyguards by the director of the Korean Central Intelligence Agency.

The official Tass news agency has suggested that the assassination was instigated by the U.S. and recalled the assassination of South Vietnamese President Ngo Dinh Diem. "Only the future will show whether it was a preventive action for replacing one puppet with another," Tass said. Reuter adds: North Korea said yesterday that the killing of President Park reflected a growing political crisis and social chaos in South Korea. The comment was the first direct reaction from the North to the death of President Park.



مكتابات الأصحاب

## OVERSEAS NEWS

## Japan's car industry 'must reappraise its world-wide role'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE JAPANESE motor industry is approaching a critical phase in its development which will require a fundamental reappraisal of its role and position world wide, according to a report from the Economist Intelligence Unit.

"Quite soon the passenger car sector will enter a period of zero growth, and there will be growing pressure on the manufacturers to establish assembly facilities in their major markets," comments the EIU in the quarterly, Motor Business.

Pressure will be put on the Japanese to establish assembly facilities in North America and in Western Europe in particular.

"The movement of final assembly (of cars) to their principal markets will be a result not so much of political pressure—although that is a not inconsequential consideration—but of economic circumstances. The value of the yen has appreciated to the extent that there is a danger of Japanese cars becoming uncompetitive, notably in North America where they are already competing less on price and more on quality, reliability and suitability."

The EIU points out that there is widespread evidence the Japanese manufacturers are already switching the emphasis

"from volume to value."

It suggests that by 1985 the industry will be producing cars to compete head-on with European specialists such as BMW and Mercedes of West Germany and BL's Jaguar Rover Triumph models.

There are also strong indications of a willingness—"perhaps even a desire"—on the part of the Japanese companies to plug themselves into the international co-operative agreements which recently have become a feature of European and American companies.

The EIU expects Japanese passenger car production to fall by 1.8 per cent in 1979 to 5.9m, largely due to a reduction in exports. In 1980 output could fall even further by 8 per cent to 5.65m, the EIU suggests.

Once again exports would provide the major problem and could drop by 8 per cent to 2.8m compared with 2.95m in 1979—a figure representing a 3 per cent fall on the previous year.

As for commercial vehicles, the EIU forecasts that production in 1980 might fall 2.8 per cent to 3.2m after a 4.8 per cent rise to 3.45m in 1979.

Exports of commercial vehicles are expected to fall by 10.2 per cent to 1.4m in 1979 and by a further 16.6 per cent to 1.2m the following year.

## Henry Ford warns of need to invest in U.S.

BY IAN HARGREAVES IN NEW YORK

MR HENRY FORD has told the Japanese motor industry that it must invest in U.S. car makers or face restrictions on its right to export vehicles to the U.S.

Speaking in Japan at the official formalisation of the Ford Company's recently announced acquisition of a 25 per cent stake in Toyo Kogyo, producer of Mazda cars, Mr. Ford warned the Japanese that the existing imbalance in U.S. Japanese trade was no longer acceptable.

"The three largest American car companies now have major investments in Japan. Why are there no similar Japanese investments in the U.S.?" Mr. Ford asked.

Mr. Ford who resigned from his position as president of Ford earlier this year but continued to play a role in the company's international affairs, said that this year the U.S. deficit in automotive trade with Japan would account for one third of the

total U.S. trade deficit in all products with all its trading partners.

Last year Japan had exported over \$17bn worth of motor vehicles and parts, \$500m of which was to the U.S. But it had taken only \$200m of U.S. automotive goods in imports in the same period.

There were only two solutions Mr. Ford suggested to the problem. The first would involve the U.S. following the course of some European countries by restricting imports of Japanese vehicles.

The alternative, which was "far preferable" said Mr. Ford, was for the Japanese to follow the European example and invest in the U.S. car industry. Japanese manufacturers, in other industries had already done this and it was time the Japanese vehicle industry recognised the legitimate anxieties of the U.S. car companies about employment.

## VW move in Argentina

WOLFSBURG — In a statement of intent to the Argentine Government, Volkswagenwerke has indicated that it would like to acquire an interest in Chrysler Foye Argentina, a car-manufacturing affiliate of Chrysler of the U.S.

This follows several months of exploration of the Argentine car market by the West German car maker, according to a company spokesman who declined to give further details on Volkswagen's plans in Argentina.

However, Volkswagen is reported to be seeking a controlling interest in Chrysler Foye

AP-DJ

## Faster growth for British investment in U.S. seen

BY MAURICE SAMUELSON

SMALL AND medium-sized British companies are missing investment opportunities in the U.S. because of lack of foresight or excessive anxiety about the complexities of legislation there.

Mr. John Forry, author of a new handbook for would-be corporate investors in the U.S., said smaller UK companies were often content simply to sell technical know-how in the U.S. instead of licensing it there themselves or even forming joint ventures with U.S. enterprises.

However, he forecast that British investment in America, which already far outstrips that from other countries, would grow all the faster following yesterday's removal of the last British currency exchange controls.

The growth of investment in America by British and other European companies, he said, was out of all proportion to the success of the European countries' economies and reflected the astuteness of British and Continental businessmen.

Mr. Forry's book was launched at the United States Embassy, where officials pointed out that there was no U.S.

Federal Government agency to attract overseas investment and that this was the responsibility of the individual U.S. states. Although more than 20 American states have overseas investment bureaux, New York is the only one with a London office.

The ratio of American investment abroad to foreign investment in the U.S. itself has narrowed in recent years from 30 to one about 15 years ago to about eight to one today.

Last year, direct foreign investment in companies and real estate jumped by 18 per cent to reach \$40bn (£18,557m), compared with U.S. overseas investment of more than \$300bn. A further boost is expected this year, particularly from Europe, Canada and Japan.

Tax Management International, which published Mr. Forry's book, said that the UK has set the pace, accounting for 20 per cent of the 118 U.S. takeovers in the first six months. But West Germany took over the running in the second quarter with Japan, Canada and France not far behind Britain.

\* A Practical Guide to Foreign Investment in the U.S., by John Forry, 2 vols: \$20 and \$5 per book. Tax Management International, London, £22.

## World Economic Indicators

## INDUSTRIAL PRODUCTION

	% Change over previous base year			Index 1967=100		
	Sept. 79	Aug. 79	July 79			
J.S.	152.3	151.5	152.6	147.5	+ 3.3	1970=100
Holland	120.0	124.0	124.0	117.0	+ 2.6	1970=100
France	135.0	135.0	132.0	127.0	+ 6.3	1970=100
Germany	106.1	112.9	132.9	106.9	+ 5.2	1970=100
Italy	78.5	133.0	134.8	72.8	+ 7.2	1970=100
JK	11.7	116.5	117.7	111.6	0	1975=100
Belgium	131.0	123.9	127.8	116.5	+ 12.4	1970=100

## Egyptian PM's 'attack on Press adds to doubts over contracts

BY ROGER MATTHEWS IN CAIRO

EGYPT'S Prime Minister Muammar Khalil has publicly rebuked the state-controlled Cairo Press for its reporting of his efforts to sign a major housing contract with Austrian and European companies.

In a television interview Dr. Khalil said that he was only a third of the way through the negotiations and that the figures mentioned—600,000 housing units to be built in three years at an overall cost of \$1.5bn—were inaccurate.

Last week the Egyptian Press had also reported a new arms agreement with the U.S. under which missiles, tracked vehicles and a range of other equipment would be produced locally. This has been privately denied by U.S. sources.

President Anwar Sadat means to continue to refer to negotiations over a \$5bn long-term contract for the sale of Sinai

oil, although diplomatic, business, oil industry and financial officials all profess ignorance of any talk on the matter.

There are also some doubts being expressed in financial circles about the overall credibility of the \$1.8bn telecommunications agreement with a European consortium headed by Siemens of West Germany. Although few leading Egyptian officials doubt that it will go ahead they are becoming anxious about how the consortium plans to raise the necessary financing. The consortium has agreed to provide \$1.2bn in foreign currencies on concessionary terms and to raise the local currency equivalent of \$600,000.

John Lloyd adds: A Siemens spokesman in Munich said that the company did not anticipate any problems with the Egyptian contract. Siemens, he said, has extensive experience with projects of this size both in the telecommunications and power plant fields. He added that since the \$1.8bn contract was spread over five years the financing should not pose any difficulties.

## Firm bulk carrier market

By William Hall

THE LATEST figures for world steel production help to explain the recent firmness in the bulk carrier market. Output in September was 3.6 per cent up on last year and in the EEC it was 7.5 per cent higher.

Admittedly, Japanese production is expected to decline slightly during the last quarter of 1979 but even so its annual production should exceed 110m tons for the first time in five years.

The buoyant demand for raw materials continued to keep charterers busy last week, especially in the Atlantic. However, Galbraith Wrightson report that rates were no better than the week before. A cargo of 60,000 tons of coal from Hampton Roads to Italy fetched \$12.50 a ton while a cargo of 200,000 tons of ore from South Africa's Saldanha Bay to Rotterdam commanded \$7.75 a ton.

In the grain trades interest has continued to centre on the Great Lakes where the season is set to close provisionally on December 15. As expected, rates have continued to harden for handy sized vessels that can use the lakes. Elsewhere, however, pressure on the grain houses appears to be lessening and brokers expect rates to ease somewhat in the short term.

## UK sees oil as key to boost Soviet trade

BY DAVID SATTER IN MOSCOW

MR CECIL PARKINSON, the Minister of State for Trade, said at the eighth meeting of the Anglo-Soviet Joint Economic Commission, that there should be good prospects for British exporters in the major Soviet oil exploration effort which will be incorporated into the 1981-85 five-year plan.

Mr. Parkinson said that the eighth meeting of the Anglo-Soviet Joint Economic Commission, had focused on the need to increase trade between Britain and the USSR.

Recent studies have indicated that with Soviet oil production showing signs of running down, the Soviet market for offshore exploration equipment alone is likely to reach \$24bn (£11.5bn) over the next decade.

The Joint Commission meet-

ing included discussions with officials in the Soviet gas ministry of possible co-operation in oil exploration in the Barents Sea.

There was agreement to set up a committee to discuss general co-operation in the field of energy.

Other areas where British exporters might make inroads in the Soviet market were said to be automotive parts, agricultural chemicals and advanced civil engineering equipment.

Mr. Parkinson said that both sides agreed on the need to update the existing long-term economic co-operation programme, signed in 1975, in order to make it conform better to present economic needs.

## Small companies summit

BY LESLIE COLITT IN BERLIN

UNLIKE the U.S., where a relatively small number of big companies contribute the bulk of industrial exports, West Germany's 1.8m small and medium-sized companies provide most of this country's exports, and these rose in value by 12 per cent in the first eight months of the year.

This explains the interest West German companies are showing in the sixth international Symposium on Small trades in general.

The Japanese will be the largest group of any of the 41 foreign countries represented at the symposium.

## French win £14m Azores hotel deal

BY JIMMY BURNS IN LISBON

PORUGAL has negotiated an Escudos 1.5bn (£14m) contract with Creusot-Loire, the French industrial group, for the building of two luxury hotels on the Azores.

Creusot-Loire has been given charge of overall design, supply of materials, and construction.

Omnitel, the Swiss hoteliers,

are to be given management of the hotels once building is completed in about two years.

The scheme is to be largely financed by the Banque de Suisse and has the additional guarantee of two Portuguese banks, Caixa Geral de Depositos and Banco Sotto Mayor.

The contract is expected to help stimulate tourism on the Azores. Its approval by Portugal's Foreign Investment Institute forms part of an overall plan to diversify Portugal's main tourist trade away from the Algarve and Lisbon.

"We will make electric light so cheap that only the rich will be able to burn candles."

THOMAS ALVA EDISON, OCTOBER 1879

"We will make electric light so energy-effective that only the irresponsible will continue to burn the world's candle at both ends."

LIGHTING DIVISION PHILIPS, OCTOBER 1979

Thomas Alva Edison succeeded in sealing a horseshoe-shaped carbonised cotton filament within a near vacuum inside a small glass globe. When a direct current of electricity was passed through, it 'burned like an evening star' and was registered under US Patent No. 223,989 as the incandescent light-bulb.

The 32-year-old genius had not invented electric lighting. He was doing something far more brilliant. He was about to make electric lighting a practical, economic & universally available utility.

PEARL STREET IS ABLAZE

Massively wasteful electric arc lights had been splitting spectacular voltages through the night skies of Paris and London since the 1860s, gobbling up francs, pounds and watts and temporarily blinding carefree beholders. These arc lights were inconceivably big, brutal and too greedy for any parlour or office interior.

Edison's incandescent bulb had none of these faults. And to fulfil its destiny he laboured three further years, following his own precept that genius is 99% perspiration, inventing the lamp socket, the light switch, the electric fuse, the variable output dynamo, the underground power cable, the central power station and the whole concept of an electricity supply system.

Then in September 1879, he threw the switch that set thousands of his 40c 16 candle power bulbs blazing above the sidewalks and in the houses of 85000 inhabitants of New York. It was 'unbelievable'! When Philips coiled the tungsten wire and replaced the glass globe with an inert argon gas in 1913, output shot up to a dazzling 21 lumens per watt. In 1933, the coiled filament became the coiled filament and efficiency zoomed by another 20%.

EDISON'S BULB

In December 1973, the lights started going out all over Europe in phased blackouts designed to save the fuel resources threatened by war in the Middle East.

Between then and February 1974, homes, offices, shops, factories, schools and even some hospitals in England found themselves in abrupt darkness for hours at a time.

Electric lighting accounts for only 5% of an industrial nation's energy consumption, but its instant controllability makes it an obvious area of saving, either forced or voluntary. During the Energy Crisis, thoughtful people looked up and wondered which lamps they could switch off and which lamps might not be doing the best possible job with the electricity they were using.

After more than 90 years, the World had stopped taking electric light for granted.

GOD WILL PROVIDE

In the Victorian heyday of Edison's invention and the Edwardian age and the

flippant 'Twenties and troubled 'Thirties that followed, there was no general soul-searching about energy conservation. Coal and the new fangled mineral oil discovered in Pennsylvania in 1859, were there in abundance. If we wanted more, we could sink shafts 12 miles deep, the experts said, into an Aladdin's Cave full of fuel enough for a million years. God would provide.

The light-bulb manufacturers, however, didn't feel like that.

Edison Electric Light Co., Philips Incandescent Lamp Works Ltd. (who had joined the race in 1891 in Eindhoven, Holland) and certain other determinedly innovative companies pursued energy-effectiveness from the word go.

They had no clairvoyant awareness of dwindling world fuel resources. They

PACKAGE GOODS MARKETING IN FRANCE

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2. N.B.C. sells and takes orders and reports them to the client Company's Headquarters.
3. N.B.C. has a force of 110 salesmen, supervised by 21 area managers.
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**NBC**  
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 Telephone: 500.73.01  
 (ask for Jacques Vandamme).  
 Telex: 611.406 F

BOSCH

## OVERSEAS NEWS

## Ten die as car bomb explodes in West Beirut

BY IHSAN HIJAZI IN BEIRUT

AN EXPLOSION ripped through a section of the predominantly Moslem West Beirut on Saturday, leaving 10 dead and 32 seriously injured. The blast, caused by 40 kg of TNT contained in a mortar shell and placed in a car, caused widespread devastation, and has further complicated efforts to solve the problems in South Lebanon, on the border with Israel.

The bomb was set off by remote control in the Basta quarter during the rush hour, when Moslems were doing their shopping for the feast of Al Adha next Wednesday. The feast marks the end of the holy pilgrimage to Mecca.

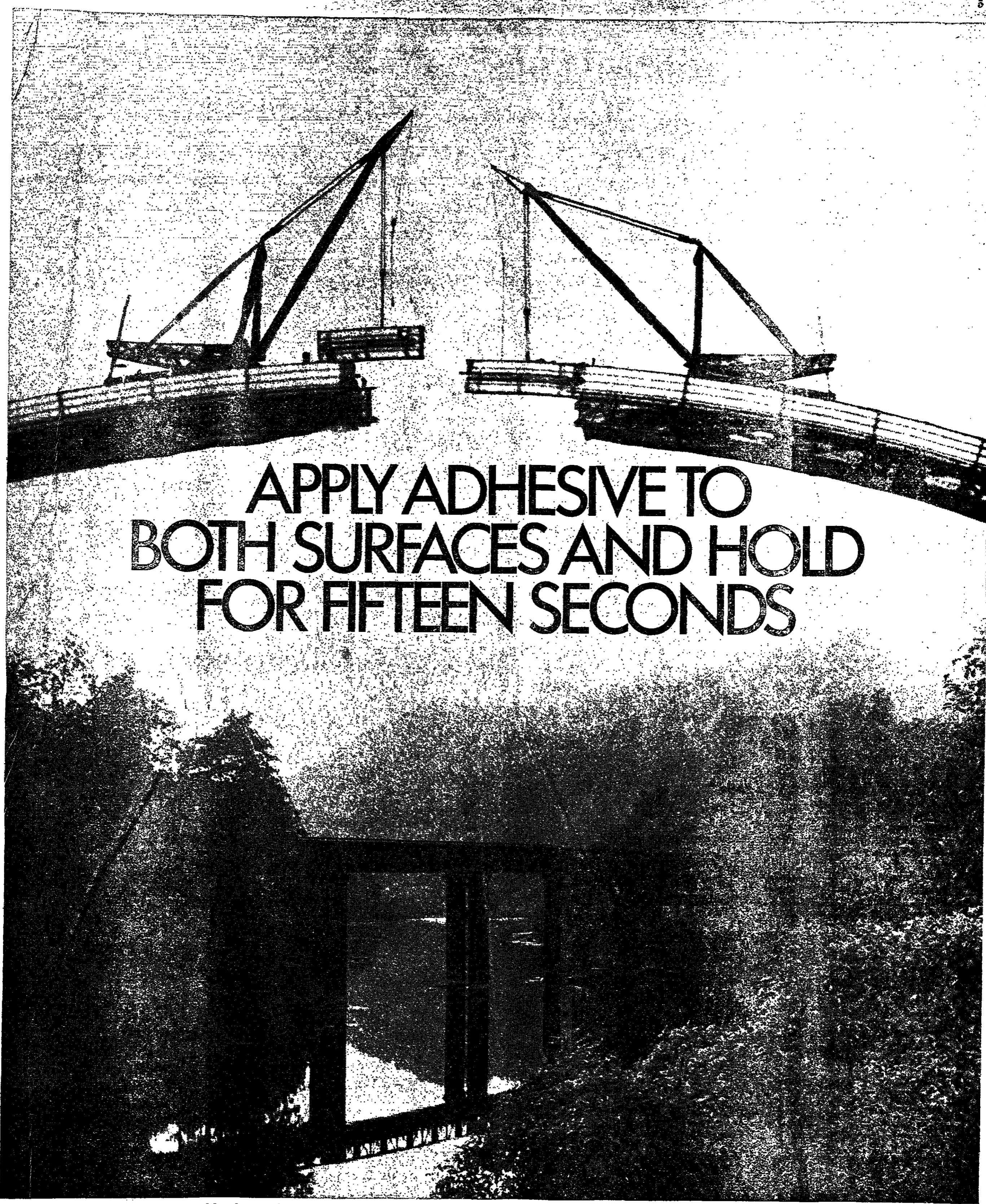
It went off only a few metres from the offices of the Left-wing breakaway "Lebanese Arab Army."

A statement from the organisation said the bomb was aimed at killing Lt. Ahmed Al-Khatib, the founder and commander of the Arab Army. His car was damaged, but he escaped unharmed.

The explosion was the worst incident of its kind in this part of Lebanon since the civil war ended three years ago.

The Arab Army and the Left-wing National Movement accused the intelligence branch of the Lebanese regular army—the "Duexieme Bureau"—of

the "Duexieme Bureau"—of



# APPLY ADHESIVE TO BOTH SURFACES AND HOLD FOR FIFTEEN SECONDS

Replacing rivets and bolts with a super glue may seem a little far-fetched. At the moment. But already adhesives are moving into direct competition with traditional methods of joining materials, even in aircraft and car production. Larger structures could be next.

In this revolution BP Chemicals are playing a backroom, but significant part. Adhesives depend on solvents and, using our own basic feedstocks,

we produce one of the widest ranges of solvents in Europe and ensure that they are available when and where they are wanted. Without these vital, versatile products many industries wouldn't be able to produce many of the things the modern world needs—pharmaceuticals, toiletries, paints, detergents, printing inks, brake fluids, to name but a few. Including adhesives.

BP Chemicals are one of the founders of the European petrochemicals industry. Our direct access to the raw materials from within the BP Group provides security of supply.

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**BP chemicals-making it all happen**



## UK NEWS

# Oil exploration 'will be stepped up'

BY SUE CAMERON

A BIG increase in North Sea oil exploration—particularly in the UK sector—is forecast for next year in an authoritative report published yesterday by Wood Mackenzie, the analysts and brokers.

The report, based on a survey of the drilling plans of major oil companies operating in the North Sea, says that the number of wells drilled next year is likely to be 65 per cent up from the figure for 1978. The main reason given by Wood Mackenzie for this renewed enthusiasm for exploration is

the rising price of oil. It says that oil price rises can "radically alter the economics of all North Sea Projects". In particular, they can make small technically difficult oil projects far more attractive commercially.

The expected upsurge in exploration has led a number of the oil majors to charter drilling rigs for longer periods than usual. Over the last few years the oil companies have been chartering drilling rigs for only two or three months but now they are seeking contracts for

a year or even longer. Wood Mackenzie states that British Petroleum, Conoco and Elf have already taken longer-term rig charters and Shell, Texaco and Mobil are seeking similar contracts.

The rates for chartering drilling rigs are now running at about 30,000 (\$15,000) a day, but the report says many oil companies believe these will rise to \$40,000 a day next year as exploration increases.

"Market pressures could persuade rig owners to move rigs back into the North Sea and

should rates continue to rise it is even possible that new rigs could be built," the report says. "The outlook is considerably more encouraging than appeared a year ago. From the British point of view, it has been argued that with drilling activity at the low levels witnessed in 1978 and 1979, the rate of discovery would be insufficient to match the rate of production, and that the rate of development of new fields would be too slow to halt the production decline forecast for the second half of the 1980s."

"If the projected levels are reached, although not as high as those of the mid-1970s, it would provide in the short term a pleasant boost for all oil-related industries, and potentially, in the longer term, enhance UK oil reserves and production."

## Three Mile Island director says public misunderstands

BY DAVID FISHLOCK, SCIENCE EDITOR

THE NUCLEAR industry had greatly overestimated the public's understanding of nuclear power and radiation, a director of the company involved in the U.S. reactor accident last March said in London on Saturday.

Mr. William Murray, a vice-president of General Public Utilities, said his company had learned that it was more important to keep politicians informed of what was happening than the Press.

He "estimated" that only one in 100 of several hundred people reporting the accident had "the faintest idea of the technical problems involved."

But almost everyone reporters contacted, "whether he was the maintenance man, a health physicist, a driver or guard," was willing to respond, and was quoted as an "official spokesman," said Mr. Murray.

The report of the Kemen Presidential Commission on the accident is expected to be delivered to the White House tomorrow.

Mr. Murray, whose group is the parent of Metropolitan Edison, owners of the damaged Three Mile Island reactor, analysed the lessons for what he called "crisis communications" learned from the accident for a conference of public relations consultants in London.

He illustrated the depth of the problem for his own company by quoting a politician who said that he would never endorse reopening a reactor until he could be assured that not one radioactive atom would ever escape again.

Normally, man-made disasters such as explosions or air crashes were over quickly and the consequences soon known. But the

nuclear accident had stretched over several days, which greatly heightened the psychological impact.

"We didn't know the precise extent of the accident or how long it might go on, not because information was withheld but because of the nature of the accident itself and the inability of the technicians themselves to assess these facts for several days."

Coincidence also heightened the effect. A local paper had just finished a sensational series of front-page stories on the threat by the reactors on Three Mile Island.

A Harrisburg monthly had published a fictional scare story about a nuclear accident on the island. The film "The China Syndrome" had just been released.

## Practice code urged for accountants in industry

BY MICHAEL LAFFERTY

SENIOR CHARTERED accountants in industry are being asked to urge their companies to develop corporate codes of good practice.

Such codes would cover matters such as payments for obtaining business abroad, foreign exchange and commodities dealing, the supply of unsafe goods and insider trading.

A discussion paper has been published by the London Society of Chartered Accountants, the largest of the English Institute of Chartered Accountants' constituent societies.

The paper proposes several ethical guidelines. They include:

• Accountants should not ignore the illegal or unethical acts of others, if, because of their position, they would normally be considered to have some responsibility for such acts."

• In extreme circumstances, the notification of such acts to an appropriate authority within the organisation may be inadequate to resolve the problem satisfactorily. They may feel that they have no alternative but to notify an appropriate external authority or to resign their position.

Copies are obtainable, free of charge, from the London Society of Chartered Accountants, 38, Finsbury Square, London EC2A 1PX.

"Such accountants cannot

always be required to be objective. Their loyalty to their organisation makes it impossible and undesirable for them to act impartially as between their own and other organisations."

• Accountants should not ignore the illegal or unethical acts of others, if, because of their position, they would normally be considered to have some responsibility for such acts."

• In extreme circumstances, the notification of such acts to an appropriate authority within the organisation may be inadequate to resolve the problem satisfactorily. They may feel that they have no alternative but to notify an appropriate external authority or to resign their position.

There have been no discussions between Lear and the Department of Commerce on aid. Basic information has been exchanged with the Northern Ireland team emphasising the level of grants and the availability of skilled labour.

## Commercial and Industrial opportunities in London:

# "WHICHEVER WAY YOU LOOK AT DOCKLANDS IT'S ALL STARTING TO COME TOGETHER NOW."

*Cif Michelmore*

New Factories and Warehouses. Many new factory and warehouse units are under construction in Docklands. These at North Woolwich Road are completed and in use.

Passenger Rail Links. The Crosstown Link Line is now open, servicing the northern sections of Docklands from North Woolwich, and providing interchanges with the London Underground network.

Direct Route to Europe. A new Jetfoil service will provide high speed access from St. Katharine Docks to Ostend.

"The five and a half thousand acre Docklands Development Area is really on the move now.

Over £200 million is being spent in the next three years alone on housing, transport and other new projects.

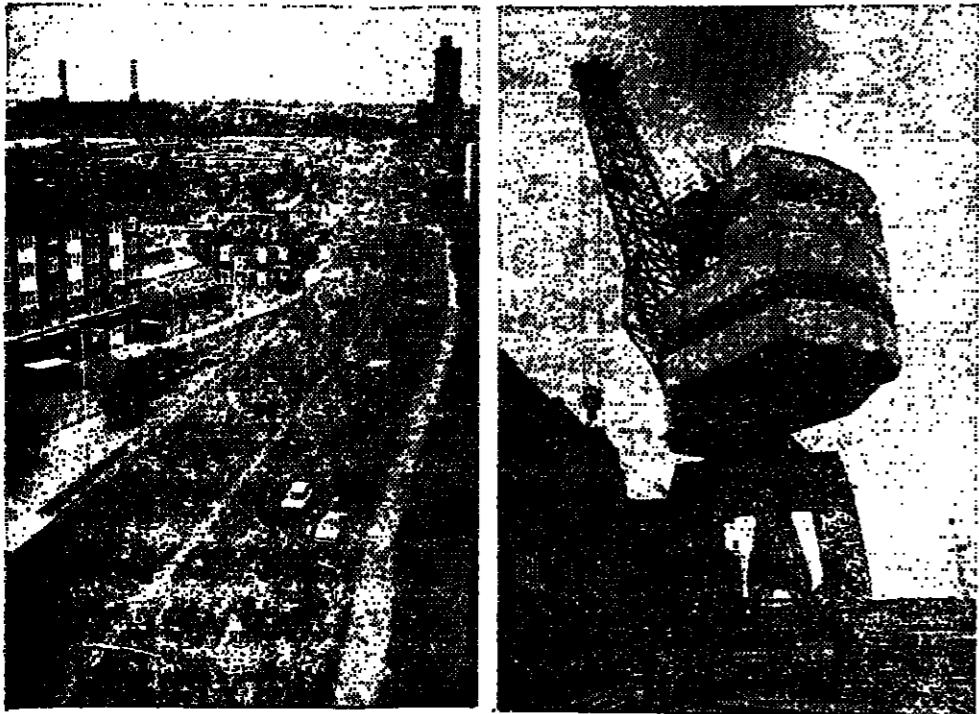
And there are many new schemes to encourage commerce and industry to the capital.

The London Industrial Centre, the main information source for new schemes, provides a free advisory service on business opportunities throughout the whole GLC area.

See for yourself some of the progress that has been made in the last eight months in Docklands alone."



Attractive Housing. Many new units are completed and in occupation. All the new housing complies with the Docklands criteria that no unit is above five storeys.



Better Road Access. The six-mile East Cross Route is completed and eliminates the old bottlenecks and low bridges between Hackney and Greenwich.

One of our Liquid Assets. The Victoria Deepwater Terminal is Docklands' containerisation centre. Situated on the banks of the River Thames near the Blackwall Tunnel.



For more information: Docklands Development Organisation at Blackfriars House, 19 New Bridge Street, EC4V 6DB specialises in Docklands.

And the London Industrial Centre at County Hall, SE1 7PB services the whole Greater London area.

Both services are on 01-633 2424. They give free expert help on location, planning, finance, manpower and building.

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## N. Ireland talks on Learfan contract

BY OUR BELFAST CORRESPONDENT

THE NORTHERN Ireland Department of Commerce said yesterday it was talking to Lear-Avia of the U.S. about the possibility of building the 10-seater Learfan aircraft in the

project could employ 1,700 people when it is in full production.

Lear-Avia are understood to be aiming for the production of 10 Learfan jets in 1981, 75 the following year and 150 in 1983.

Although confirming a report that discussions had taken place, Government officials were cautious about the prospects, pointing out that initial contacts with overseas companies often came to nothing.

Lear's plans, as outlined in talks with the Department, are thought to be for an assembly plant producing the basic aircraft which would be taken to the U.S. for furnishing and fitting with electronics.

Northern Ireland could offer substantial grant aid for a factory and could hold equity in a locally registered manufacturing company. A similar agreement was made last year with the De Lorean motor company for a factory in Belfast assembling sports cars. The project represents a Government investment of £53m for about 2,000 jobs.

There have been no discussions between Lear and the Department of Commerce on aid. Basic information has been exchanged with the Northern Ireland team emphasising the level of grants and the availability of skilled labour.

## Bank calls for data aid after lifting of exchange control

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE BANK of England has

asked banks and the Stock Exchange to continue providing data essential for compilation of balance-of-payments statistics.

This is necessary because abolition of exchange controls has removed the statutory basis on which such information was collected.

Letters asking for continued co-operation were sent last week to the British Bankers' Association and the Stock

Exchange.

The Bank said that this was only an interim arrangement pending adoption of simpler statistical forms. The information the Bank seeks on a voluntary basis includes professional securities dealings by overseas residents, transactions for UK residents on overseas markets and vice versa.

Banking statistics are not affected by the exchange control move.

## Short but severe recession forecast for next year

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

OUTPUT IN the motor vehicle and instrument and electrical engineering industries is expected to fall sharply next year, according to new medium-term forecasts published this morning.

The group projects a short but severe recession next year with a steady rise in unemployment. But the inflation rate should halve to 8 per cent by 1982.

Cambridge Econometrics is the commercial forecasting arm of the Cambridge Growth Project, a team of researchers at the university under Professor Sir Richard Stone and Dr. Terry Barker. Their very large forecasting model projects the development of 40 industries and looks ahead 10 years or more.

The group is not connected with the work of the Department of Applied Economics at Cambridge under Mr. Wynne Godley.

### Less pessimistic

Cambridge Econometrics is less pessimistic than many other forecasters about the medium-term outlook. Total output is projected to decline by 1.3 per cent in 1980, mainly as a result of falling private consumption and fixed investment, but then to recover by 1 per cent in 1981 and to grow steadily thereafter, partly in response to a lower rate of inflation.

However, unemployment could rise from an average of 1.3m in 1979 this year to 1.8m in 1980 and 2.1m in 1981.

All major industrial sectors apart from energy are expected to contract next year as a result of slowing world demand, the high exchange rate and the rundown of stocks.

### Severe problems

Engineering is likely to have a longer and deeper recession, with declines in output of 9.3 and 2.9 per cent in the next two years.

Motor vehicle output is projected to drop by 12.8 per cent next year with falls of 10 per cent

in both instruments and electrical engineering.

The group believes that the tightened monetary policy now being pursued will create severe cash-flow problems for many industries next year, but it may be an essential ingredient in the subsequent decline in the inflation rate—down from 16.4 per cent next year to 8 per cent in 1982.

Much of the pressure on the gilt-edged market as a result of the high level of public sector borrowing of recent years will be eased over the next few years as North Sea oil revenues build up. Borrowing as a percentage of Gross Domestic Product is expected to decline from 5.3 per cent this year to 3 per cent by 1982.

This should mean that monetary growth can be held down without incurring the high interest rates of today. Minimum Lending Rate should decline from an average of 13.5 per cent this year to 15 per cent in 1980, 10 per cent in 1981 and 9 per cent in 1982.

Public sector debt sales to the non-bank private sector should fall from 5 per cent of Gross Domestic Product this year to 3.8 per cent next year, 3.4 per cent in 1981 and 2.7 per cent in 1982.

The forecast assumes no change in VAT, but that the basic rate of income tax—now 30p in the pound—will be reduced by 2p annually for the next three years.

Between 1980 and 1980 real output growth is expected to average 1.7 per cent, consumer spending growth 1.4 per cent and price inflation 8 per cent.

The current account of the balance of payments should be in neither surplus nor deficit over the decade as a whole with modest surpluses in the early 1980s.

Industrial Planning for the 1980s, Cambridge Econometrics, PO Box 114, 21, St Andrews Street, Cambridge CB2 3RW.

## The ABC of DAN-AIR'S Scheduled Routes from London (Gatwick)



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SHANNON — Route commences April 1980\*.

STRASBOURG — France, Alsace — Friday and Sunday flights.

TOULOUSE — New route, year round from December 16.

\*Subject to Government approval.



For full information on Dan-Air scheduled routes from London (Gatwick) phone 01-650 1011 or Contact your Travel Agent.

## UK NEWS

# Challenge to NCB at Belvoir inquiry

BY JOHN LLOYD

THE NATIONAL Coal Board's expansion programme, Plan for Coal, estimated to cost more than £4bn to 1985, will face its most searching public examination when the inquiry into the Board's application to mine coal in the Belvoir area of north-east Leicestershire opens tomorrow.

The Board's plans involve sinking three shafts in different parts of the area and extracting some 7m tonnes of power station coal a year. Objections have come from Leicestershire and Nottinghamshire County Councils, from the National Farmers' Union, from local groups and a wide range of environmental and landowner interests.

Both sides have appointed senior counsel and will present a battery of experts in a hearing expected to last well into 1980.

A crucial element will be the evidence to be presented by the Department of Energy. In a paper drawn up for the inquiry, the Department forecasts that coal production by the end of the century will be between 137m and 155m tonnes, falling short of the NCB's target figure of 170m tonnes.

The paper goes on to say that "without early and continuing investment in new capacity, colliery production in 1990 would be lower than it is today (around 108m from deep mines)

and could fall to around 80m tonnes by the end of the century."

The Government—and the Board—argue for continuing investment since they believe coal will be required by 2000 as a feedstock to substitute natural gas and oil, even though it is likely to have declined as a power station fuel because of an increased nuclear burn.

Against this, Mr. Gerald Manners, the reader in Geography whom the NFU and other groups have retained as

chairman of the NFU coalfields committee, said that: "We are going all out to win."

Failure of the NCB would be an extremely serious setback. As Dr. D. J. Spooner of Hull University has recently shown, the NCB has progressively concentrated its investment on the vast Yorkshire and Midlands coalfield, by far the richest and most productive in the country. By comparison, the peripheral areas are receiving much less investment, though South Wales with its reserves of coking coal, is a partial exception to this trend.

Most of the few new mines opened in the UK since 1960 have been in Yorkshire and the Midlands. These include Kellingley (North Yorks), Dax Mill (Warwickshire), Beverton and Cogges (Nottinghamshire). Both Selby in North Yorks where development work is well under way, and Belvoir are in line with this trend.

Opponents of the scheme admitted last week that over the past year, the leaping price of oil, together with public disquiet over nuclear stations stimulated by the incident at Three Mile Island in the U.S. have not helped their case. However, Mr. John Wyles, the

MORE HOME NEWS ON  
PAGES 12 and 26

their leading witness on energy policy, will argue that coal's role in power stations will decline much faster than the NCB forecast, and that its use as a feedstock will probably not be economic for many decades yet.

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## Plaid Cymru calls for troops out of Ulster

BY ROBIN REEVES, WELSH CORRESPONDENT

THE WELSH Nationalist Party, Plaid Cymru, ended its annual conference at Llandudno this weekend with a demand for the withdrawal of British troops from Northern Ireland.

The conference gave unanimous backing to an emergency resolution from the party's national executive calling for British troops to be replaced by a United Nations force until the problems of Ireland were peacefully resolved.

Dr. Phil Williams, a former vice-president of Plaid, claimed there was a conspiracy of silence on the issue. Everybody recognised there could be no military victory by either side in the conflict.

This call, together with a

## Industrial aid deadline extended

By Hazel Duffy

THE Department of Industry is extending the deadline for completion of three industrial aid schemes by four months. The schemes involve projects in the machine tool, textile machinery and printing machinery industries.

Many rank-and-file activists are arguing the party has nothing to lose by adopting a more militant approach, after the humiliation of the devolution referendum and the general election, in which Plaid secured only 5 per cent of the vote.

The conference confirmed that Plaid is going through much the same difficulties as the British Labour Party in finding its new direction.

Companies which have been given assistance under the schemes had been ordered to complete their projects by the end of this year.

Because Sir Keith Joseph, the Industry Secretary, has agreed to the extensions it does not indicate a change in his policy towards the schemes.

When he took office, he said the schemes would run their full course.

## Pension fund plans £20m shop complex

BY ANDREW TAYLOR

PLANS TO build a 220m covered shopping complex on seven acres in Bristol have been launched by Imperial Group Pension Funds and William Cowlin, a local construction group.

John Lewis, the department store group, has been showing keen interest in developing the site. It wants to build a store in Bristol as part of its West Country expansion.

John Lewis said at the weekend that it had talked with the local council but said this was

just one of several sites it was studying in Bristol.

The site, near the existing Broadmead shopping complex, is jointly owned by William Cowlin, Imperial Pension Fund, Bristol County Council and Avon County Council. The two local authorities are the principal land owners.

Imperial and Cowlin are seeking planning permission to build 400,000 sq ft of shops linked at first floor level by a bridge to the Broadmead centre. The bridge would incorporate shopping facilities.

## Call to end standardised fines

OFFENDERS should be compelled to disclose their incomes to the courts, urged Mr. John Wheeler, MP (Con., Paddington), over the weekend. He said: "The absurd quest for

standardisation of fines should be abandoned in favour of the courts being required not merely to reduce the normal fine when dealing with offenders of slender means, but should also increase it when dealing with the well off."

## Ernie pays record jackpots

By Liz Wood

THE STREAMLINED system for Premium Bond prizes comes into effect today when 15 jackpot prizes, totalling £275,000, will be announced.

Under the new system, Ernie will be paying out the same amount as previously but the number of prizes has been reduced from 127,000 to about 30,000.

The £25 or £50 prizes have stopped but prizes in the £100 to £5,000 range will be increased to maintain the total cash pay out.

The number of jackpots, prizes of more than £25,000, to be drawn today is the biggest since the scheme started in 1956.

The new system has been used to clear a two-month backlog of prizes which arose following industrial action earlier this year.

## Manchester-London air shuttle opens

MANCHESTER BECAME the first English city yesterday to have a British Airways shuttle link with Heathrow. The service was launched nearly five years after the airline's first shuttle between Heathrow and Glasgow, London—Edinburgh followed in 1976 and London Belfast a year later.

Yesterday's first flight to Manchester arrived 50 minutes late because of fog at Heathrow.

The service, primarily for business travellers, guarantees seats to passengers arriving not less than 10 minutes before take-off. No flight booking is necessary.

It was estimated that 2.5m would fly next year on the shuttle services.

There will be 60 shuttle flights daily on weekdays, using mainly Tridents, between Manchester Airport and Heathrow, 13 on Sundays, and 11 on Saturdays. Manchester-London is one of the busiest routes, carrying nearly 425,000 passengers a year. The target for the first full year is nearly 528,000.

Mr. Roy Watts, British Airways chief executive, said in Manchester that shuttle services had been a "great success" since their introduction in 1975, carrying over 6m passengers.

It was estimated that 2.5m would fly next year on the shuttle services.

## CWS sales hit by lorry drivers' strike

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE CO-OPERATIVE Wholesale Society's sales in the first six months of the year rose by only 6.4 per cent to reach £737m, it was revealed at the weekend.

Mr. William Farrow, chairman, reporting the results to Britain's 200 retail co-op societies, warned that tougher trading conditions meant that "all of us will find it increasingly difficult to run our societies' profitability and efficiency."

The main reason for the wholesale society's relatively poor performance in the first half of the year was the impact of a strike by the CWS Scottish lorry drivers during the spring.

This strike "clearly had a savage effect on the trade of the society, manufacturing, wholesale and retail alike," said Mr. Farrow.

The impact of the Scottish drivers' strike has tended to overshadow the excellent work in which the CWS has engaged during the earlier Road Haulage Association dispute, co-ordinating transportation of essential supplies to co-ops throughout the country," he added.

Mr. Farrow also pointed out that the intense price competition of the past few years still existed.

Food sales by the CWS rose by 4.7 per cent over the first half to £528m, while non-food sales performed better to show a 14 per cent increase to £138m.

The CWS's half-year report points to a 16 per cent increase in houseware sales as indicating "the strength of the co-op movement in the household durable market and its ability to maintain its share of the increased trade."

## Packaging output still low

FINANCIAL TIMES REPORTER

CONTINUING WEAKNESS of the packaging industry is illustrated by figures from the British Paper and Board Industry Federation.

Worst hit has been mills

production of boards, both for packaging and industrial purposes, which fell by 4 per cent in the first eight months of this year against that period last year.

Production of newsprint rose

from 197,200 tonnes between January and August last year to 235,800 in that period this year. This was a rise of more than 19 per cent by the only UK manufacturers, Bowater and Reed.

Food wrappings and tissues such as paper handkerchiefs suffered, while industrial and special-purpose papers rose to 147,000 tonnes, more than 7 per cent.

# The New Generation FOR TOMORROW'S NEEDS

Volvo BM, the construction machine company in the Swedish Volvo Group, is introducing a new generation of loaders, dumptrucks, motorgraders and excavator-loaders. A range of machines designed and built to Volvo's exacting standards and in keeping with Volvo BM's philosophy of optimum machine utilisation.

This new generation of machines also features the impressive Volvo safety cab, which, more than ever before, enables operators to achieve maximum productivity from their machines.

**VOLVO BM**

VOLVO BM AB S-631 85 ESKILSTUNA SWEDEN



# Building and Civil Engineering

## Civil defence centre in Saudi Arabia

A BRITISH firm of quantity surveyors—D. G. Jones and Partners—has been appointed to work with the Condane Group Joint Venture of Copenhagen on a major civil defence project in Riyadh, Saudi Arabia. D. G. Jones is to provide a pre-contract quantity surveying service which will include the preparation of full and detailed bills of quantities for the whole project including engineering installations. The partnership

## Norwest Holst awards

NUMBER OF jobs awarded to companies in the Norwest Holst group total about £6m.

In Scotland, the company will erect a distribution centre at Thornbank Industrial Estate, Dalkeith, near Edinburgh, under a contract worth £2.2m from Charles Letts (Holdings). Work for James Seddon (UK) is worth £200,000, and covers the construction of an extension to a warehouse at the New Battle Industrial Estate, Mayfield, Dalkeith.

Property Services Agency has awarded a £1.94m contract for the refurbishment of Romney House, Marsham Street, London, SW1.

Burnley Borough Council has awarded the civil engineering

part of the group a £720,000 contract for a storm water overflow abandonment scheme which includes construction of 1,500 linear metres of new foul sewer and replacing 150 linear metres of surface water sewer.

Nott Brodie has contracts in Wales totalling £664,000; a £452,000 scheme for Cwmbran Development Corporation is for the construction of a single

storey structural steel frame factory unit with integral two-storey office accommodation; work for Welsh Health Technical Services Organisation is valued at £212,000, for construction of a single-storey 30-place geriatric day centre and link corridor at Nevill Hall Hospital, Abergavenny.

Second largest is a £3.6m housing development at High

Throstion, Hartlepool, where the

## Contracts in Scotland

BOVIS COMPANY, Gilbert Ash Scotland, has been awarded contracts totalling £2.5m.

First job is the construction of a soda ash bulk handling facility for James Hemphill at Larbert. This is worth £450,000 and is being run on a prime cost plus fixed fee basis.

Lothian Regional Council has awarded a contract for the construction of a social work com-

plex at Sighthill which will also incorporate an old people's home, day centre, child day centre and a nursery.

Grindin Securities has awarded contracts for the construction of two warehouses worth £800,000 for major retail outlets at Dalmahon in Glasgow.

Total contracts figure is made up by two housing rehabilitation projects at Easterhouse and Govanhill.

## Keeping it cool in Egypt

CONTRACT VALUED at over £3.5m for two large cold stores in Egypt has been won by PollBur Engineering, part of Burmah Engineering.

Both stores are of 6,000 tons capacity and being constructed for the Potato Growers Cooperative of Cairo for storing potatoes at Sabahia and Damazahoor, and PollBur will be responsible for design, supply, construction and site administration.

Associated in this venture are Haden Young of Manchester, and Mediterranean Trading and

Investment Consultants (PollBur's agent in Egypt). All necessary equipment will be purchased in the UK.

At Sabahia, five rooms of 1,000 tons capacity will be used for storing potatoes at a controlled temperature of plus 4 degrees C, with one room of 1,000 tons capacity for storage of frozen products at a controlled temperature of minus 25 degrees C.

At Damazahoor the cold stores will consist of six rooms each of 1,000 tons capacity for storing potatoes at a controlled temperature of plus 4 degrees C.

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## Mail sorting office

NEW SORTING office, administration building and motor transport workshop for the Post Office at Ings Road/Denby Dale Road, Wakefield, will be undertaken by Clugston Construction of Scunthorpe under a contract worth about £1m.

Project has been designed by the Property Services Agency, north east region, which will also supervise the construction.

Separate buildings with linked access and all supported on bored pile foundations with in situ concrete ground beams.

the remainder (about 3,700 square metres) offices.

Construction will be of reinforced concrete frame on piled foundations with cladding of brickwork and anodised aluminium glazed curtain walling and flat roofs. External work includes laying out drainage, paved and landscaped areas.

When complete the building will be occupied by Link House Publications.

Under a contract worth about £1.4m awarded to John Laing the company will build an office block and car park at Poole, Dorset, on a site previously occupied by the now demolished Link House.

Work is for property company Buris and involves constructing a six-storey block of which the lower two floors will include car parking space and

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In the field of two-litre cars, the Vauxhall Carlton is something of a rarity.

Because it's one of the few cars designed exclusively for a two-litre engine, right from the word go.

Consequently, you can't have one with a smaller engine, even should you wish.

Nor, indeed, can you have one with an inferior standard of luxury.

The list of options is surprisingly modest, because almost everything you could wish for is already present.

#### LUXURIOUS, BUT RESTRAINED

The Carlton successfully avoids the baroque flourishes that creep into many of the so-called luxury cars.

The seats are covered entirely in a rich velour cloth, but have just the right degree of firmness.

Adjustable head restraints are standard at the front, while a central armrest is included at the rear.

You can even adjust the driver's seat for height, as well as for reach and rake.

And, naturally, there's wall-to-wall cut pile carpeting. (It even has separate underlay.)

Then there are numerous small but practical touches that make the car a pleasure both to drive and be driven in.

A push button radio. A comprehensive (but thankfully uncomplicated) heating and ventilation system with a four-speed fan.

Two-speed wipers with that vital intermittent wipe. Electric screen washer. Cigar lighter. Quartz clock.

#### GOOD LOOKS, BUT WITH GOOD REASON

The steeply raked front end makes the Carlton one of the most distinctive designs on the road.

But there are better reasons for the way it looks than its ability to turn heads.

Aerodynamically, the Carlton slips through the air with a minimum of fuss and, consequently, with minimal wind noise.

An achievement that's also reflected in the car's fuel economy: even driven at a steady 75 mph, it returns a creditable 30.7 mpg.

If, on the other hand, you choose to throw caution to the wind, the Carlton will accelerate from rest to 60 mph in as little as 11.2 seconds.

And go on accelerating to a highly illegal top speed of 107 mph\*.

Ask your nearest Vauxhall dealer to arrange a test drive for you.

If you've been looking for a true two-litre car, he'll be glad to prove to you that your search is over.

**VAUXHALL**  
**CARLTON**

As you might gather from the name, the car is roomy, comfortable and rather stylish.



CARLTON SALOON £5627. CARLTON ESTATE £5917. PRICES CORRECT AT TIME OF GOING TO PRESS. INCLUDE CAR TAX, VAT, FRONT SEAT BELTS AND RADIO. DELIVERY AND NUMBER PLATES EXTRA. SPORTS WHEELS AS ILLUSTRATED £228 EXTRA. STEEL SUNSHINE ROOF, AUTOMATIC TRANSMISSION AND POWER STEERING ARE AVAILABLE AS OPTIONAL EXTRAS. \*PERFORMANCE FIGURES FROM AUTOCAR. D.O.E. FUEL CONSUMPTION FIGURES FOR MANUAL SALOON (METRIC EQUIVALENTS IN BRACKETS): CONSTANT 56 MPH: 38.7 MPG (7.3L/100KM), CONSTANT 75 MPH: 30.7 MPG (9.2L/100KM). URBAN CYCLE: 24.4 MPG (11.6L/100KM). FOR DETAILS OF YOUR NEAREST VAUXHALL DEALER RING LUTON (0582) 2122 EXT. 8728.

## UK NEWS—LABOUR

## Electricity workers to seek hours cut

BY OUR LABOUR EDITOR

POWER STATION shop stewards will this year be pressing their union negotiators to secure a further cut in the working week and voluntary early retirement.

At a preliminary meeting on Saturday to discuss the next pay agreement, due in March, they decided to seek a "substantial" rise, but for the second year in a row put no figure on their claim.

This year's settlement, after the Electricity Council's offers were twice rejected by ballot, amounted to 23 per cent, according to the unions. It has already become a target for other groups of workers.

The unofficial claim seeks a reduction of the working week to 35 hours. The 90,000 men covered by the national agreement at present work the equivalent of 38 hours, and were one of the few major groups to have broken the 40-hour barrier before the engineering workers did so at the beginning of the month.

The stewards are also seeking official recognition of their national committee from the industry's unions, led by the Electrical and Plumbing Trades Union and the General and Municipal Workers' Union.

Trade union interest in the engineering workers' settlement is reflected in an editorial by Mr. David Bassett, GMWU, in his union journal. He says that a shorter working year is "our number one industrial objective."

A cut in hours is the main feature of the Ford Motor workers' claim. They are also demanding a pay rise of £30 a week.

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

**VICTORY** IN the ballot of the BL workforce, the result of which is expected this week, will be taken as a mandate for an assault on low productivity and out-dated labour practices.

Management will meet union negotiators on Wednesday and will stress the demand for a 30 per cent index-linked pay increase for the 30,000 car workers is totally unrealistic.

The company is likely to make a very low offer—perhaps around the 5½ per cent offered by Chrysler UK—but even that will be conditional upon acceptance of a self-financing scheme which the unions have resisted for more than 18 months.

The postal ballot on whether

workers back the plan for plant closures and 25,000 redundancies closes at noon tomorrow. Voting has been heavy and the result is expected on Thursday.

Uncertainty about the future of BL already appears to have hit sales. Figures in the industry suggest BL market share in the first 23 days of this month fell to little more than 17 per cent.

## Imports

Ford was market leader with more than 31 per cent. Chrysler UK with more than 5 per cent, and Vauxhall with nearly 7 per cent, have also been hit by disputes.

Imports, in a market slightly

down on October last year, nudged ahead to more than 56 per cent.

Sir Michael Edwards, the BL chairman, is known to regard "substantial support" in the ballot as only the first step towards making the company viable, but BL stressed in a letter with the ballot paper that productivity improvements were crucial to survival.

Management will want unions to accept standards set by industrial engineers, the "time-and-motion men." This would remove the much-cherished power of shop stewards to haggle about manning levels and the pace of the job.

The unions have refused to

take up the company's proposed incentive scheme largely out of fear of the employment consequences. The original scheme would have meant the loss of 14,000 jobs. The figure might be reduced following the 25,000 redundancies to make the package more acceptable to the unions.

● Chrysler will launch a new model in its Horizon range of cars today—the SX, costing £1,949.65 including car tax and VAT.

The five-seat saloon has a cruise control computer which enables the driver to maintain a constant speed over varying road conditions.

## Managers urge revival of plan to check wages

BY OUR LABOUR EDITOR

**SIR GEOFFREY HOWE**, the Chancellor, will be asked tomorrow to dust off Government's plans for an "economic forum" as a way of checking high wage settlements.

The request will be made by the British Institute of Management, which is worried about the mounting rate of inflation.

So far, the Government has made no move to set up the forum which featured in Conservative party policy documents and was referred to in the election manifesto. Instead Ministers, and the Chancellor himself, have been relying on speeches to warn trade union negotiators that "unrealistic" wage settlements will take their toll in terms of jobs.

Mr. James Prior, Employment

Secretary, would like to set up a body like West Germany's "concerted action" committee.

Other Cabinet Ministers, however, have objected that the forum would inevitably reintroduce a pay norm into private sector collective bargaining and so conflict with the Government's non-interventionist philosophy.

## Catastrophic

The BIM, which represents 85,000 managers, will stress what it sees as "the need to impress on all parties in industry and on the public at large, the catastrophic effects of letting inflation continue to mount at its present damaging rate."

## Growing number of families 'in poverty trap'

**MORE FAMILIES** have been put into "poverty trap" by the last Budget, the Low Pay Unit claims today....

It says by the end of the year 87,000 families will "gain little or nothing from a pay rise after increased tax and reduced benefits. At the beginning of the year there were 78,000 families in the 'poverty trap'."

## Dunlop invests £1m in foam

DUNLOP is spending £250,000 on machinery for high-volume conversion of polyethylene foam at its GRG division unit at Wrexham, Clwyd. It is producing Hi-Lite automotive trim components.

## Over £275,000 needed

to aid elderly and disabled seafarers

## King George's Fund for Sailors

1 Chesham Street, London SW1X 1NF.  
THE FUND FOR CHARITIES THAT SUPPORT  
SEAFARERS IN NEED & THEIR FAMILIES

Last year KGFS distributed some £275,000 to aid elderly and disabled seafarers. To allow for inflation, we need to provide much more this year. We cannot allow our aged and disabled seafarers from the Royal Navy, the Royal Marines, the Merchant Service, the Fishing Industry to suffer from our lack of funds. Please send a donation or covenant to aid us in vital work. And, when preparing your Will, please do not forget us.

INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LTD  
7% Guaranteed Loan 1982

S. G. WARBURG & CO. LTD. announces that Bonds for the amount of U.S.\$1,350,000 have been drawn in the presence of a Notary Public for the eighth redemption instalment due 28th November, 1979.

The numbers of the Bonds so drawn are as follows:-

7	18	37	48	59	68	75	86	96	107
118	137	148	159	168	186	195	207	218	232
227	246	259	269	275	285	297	307	318	332
345	359	363	375	386	396	407	418	437	448
459	468	475	486	496	507	516	537	548	569
568	575	586	595	607	618	637	648	659	678
675	688	695	707	718	727	735	746	755	774
786	796	807	818	827	837	848	859	870	888
897	907	918	929	937	948	959	970	981	992
1007	1018	1027	1048	1059	1068	1075	1085	1095	1107
1118	1137	1148	1159	1168	1175	1185	1195	1205	1215
1227	1246	1259	1268	1275	1285	1295	1305	1315	1325
1337	1356	1365	1375	1385	1395	1405	1415	1425	1435
1446	1465	1475	1485	1495	1505	1515	1525	1535	1545
1555	1574	1583	1593	1603	1613	1623	1633	1643	1653
1664	1683	1692	1702	1712	1722	1732	1742	1752	1762
1773	1792	1811	1830	1849	1868	1887	1906	1925	1944
1882	1901	1920	1939	1958	1977	1996	2015	2034	2053
1991	2010	2029	2048	2067	2086	2105	2124	2143	2162
2090	2109	2128	2147	2166	2185	2204	2223	2242	2261
2199	2218	2237	2256	2275	2294	2313	2332	2351	2370
2298	2317	2336	2355	2374	2393	2412	2431	2450	2469
2348	2367	2386	2405	2424	2443	2462	2481	2490	2509
2457	2476	2495	2514	2533	2552	2571	2590	2609	2628
2566	2585	2604	2623	2642	2661	2680	2699	2718	2737
2675	2694	2713	2732	2751	2770	2789	2808	2827	2846
2784	2803	2822	2841	2860	2879	2898	2917	2936	2955
2893	2912	2931	2950	2969	2988	3007	3026	3045	3064
2902	2921	2940	2959	2978	2997	3016	3035	3054	3073
2911	2930	2949	2968	2987	3006	3025	3044	3063	3082
2920	2939	2958	2977	2996	3015	3034	3053	3072	3091
2929	2948	2967	2986	3005	3024	3043	3062	3081	3100
2938	2957	2976	2995	3014	3033	3052	3071	3090	3109
2947	2966	2985	3004	3023	3042	3061	3080	3099	3118
2956	2975	2994	3013	3032	3051	3070	3089	3108	3127
2965	2984	3003	3022	3041	3060	3079	3098	3117	3136
2974	2993	3012	3031	3050	3069	3088	3107	3126	3145
2983	3002	3021	3040	3059	3078	3097	3116	3135	3154
2992	3011	3030	3049	3068	3087	3106	3125	3144	3163
3001	3020	3039	3058	3077	3096	3115	3134	3153	3172
3010	3029	3048	3067	3086	3105	3124	3143	3162	3181
3019	3038	3057	3076	3095	3114	3133	3152	3171	3190
3028	3047	3066	3085	3104	3123	3142	3161	3180	3199
3037	3056	3075	3094	3113	3132	3151	3170	3189	3208
3046	3065	3084	3103	3122	3141	3160	3179	3198	3217
3055	3074	3093	3112	3131	3150	3169	3188	3207	3226
3064	3083	3102	3121	3140	3159	3178	3197	3216	3235
3073									



## UK NEWS

## Christie's to sell big U.S. cellar

CHRISTIE'S has unearthed another cellar of exceptional wine—this time in New Jersey. The wines come from the home of the late Mr. Clarence Dillon, the banker, who died earlier this year, and predominantly derive from Chateau Haut-Brion, which he acquired in 1935 for a mere FF 2.35m (then equivalent to about £240,000).

The Inland Revenue is appealing against unanimous decision of the three Appeal judges, Lord Denning, Master of the Rolls, presiding, to quash the search warrant issued by a Circuit judge because it did not sufficiently specify the offence with which Rossminster and its officers and associates were suspected.

The Appeal judges also held that the conduct of the search was so oppressive that it put the onus on the Inland Revenue to satisfy the Court that they had good reason to seize a large quantity of documents.

The Inland Revenue, however, has said it cannot offer any evidence as this would jeopardise the investigation.

It was ordered to return the documents, though it was allowed to keep copies pending the Lords decision of its appeal.

## Rossmminster case hearing opens today

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE HEARING of the Rossminster case—in which the Court of Appeal has ordered the Inland Revenue to return documents seized in a dawn raid—will open in the House of Lords.

The case of the Rossminster Group, which devised and successfully marketed tax avoidance schemes, has been brought by the Court of Appeal into the wider context of checks and balances necessary to protect the individual against bureaucratic oppression, without making the investigation and suppression of crime difficult.

After the reduction in direct taxes, the demand for tax avoidance schemes became less and so probably did also the Inland Revenue's desire to obtain details of such schemes in order to prepare countervailing legislation.

A new, technical element is at an early stage of the hearing, if, as I understand, Inland Revenue is going to plead that the case should have never been dealt with in the Court of Appeal after it was decided (in favour of the Inland Revenue) by Mr. Justice Walton in the Queen's Bench Division. The investigation of the Inland Revenue is of a criminal nature based on the Theft Act 1968 and it is argued that as in other criminal matters, appeal from

the Divisional Court should have been not to the Court of Appeal but directly to the House of Lords.

The main issue before the Law Lords will be the interpretation of Section 20C(1) of the Taxes Management Act 1970 which authorises a judge to issue a search warrant on the basis of a sworn statement by the Inland Revenue Officer that he has good reason to suspect, an offence involving any form of fraud in connection with, or in relation to, tax.

The warrant repeated these words and the Inland Revenue say this was sufficient as a general description of the six separate tax offences listed in the Theft Act. The Appeal Judges, however, took the view that the offence must be specified to exclude fishing expeditions by investigators.

The other issue concerns the difficulty of all investigators of business crime to determine quickly and without expert advice which documents found during a search are relevant, and to take enough, without becoming oppressive.

## Warning on cuts by civil engineers

BY LISA WOOD

CIVIL ENGINEERS could be very hard hit by reductions in public spending, it was said at

Mr. Jack Seeley, vice-president of the Federation of Civil Engineering Contractors, speaking at the annual dinner of the federation's members in North East England, urged the Government not to make cuts in public spending without considering how they would affect the industry.

Ninety per cent of the industry's work is for a public client, said Mr. Seeley. It was the Government's job to commission major power stations, authorise the building of motorways and through other authorities, to construct and renovate water treatment and sewerage systems, he said.

## Responsibility

Emphasising that the private sector could not take over this kind of project completely, he added: "However, much Government strives to shift the emphasis from public bureaux to private enterprise, the fact remains that by far the greater proportion of civil engineering work is the Government's responsibility and is paid out of public expenditure.

"A ten per cent cut of the work in the public sector would require a doubling of private sector demand to offset the loss of turnover and clearly, this is simply not on."

He said the federation wanted to see evidence in the White Paper on spending cuts that the Government planned to carry out its expressed intention of shifting public spending from current to capital projects.

Mr. Seeley said a 1 per cent swing from central Government current spending to capital spending would mean an extra £450m on capital projects.

The established life offices expect little change. They emphasise that whatever is possible in theory, in practice the nature and extent of foreign

policy should look.

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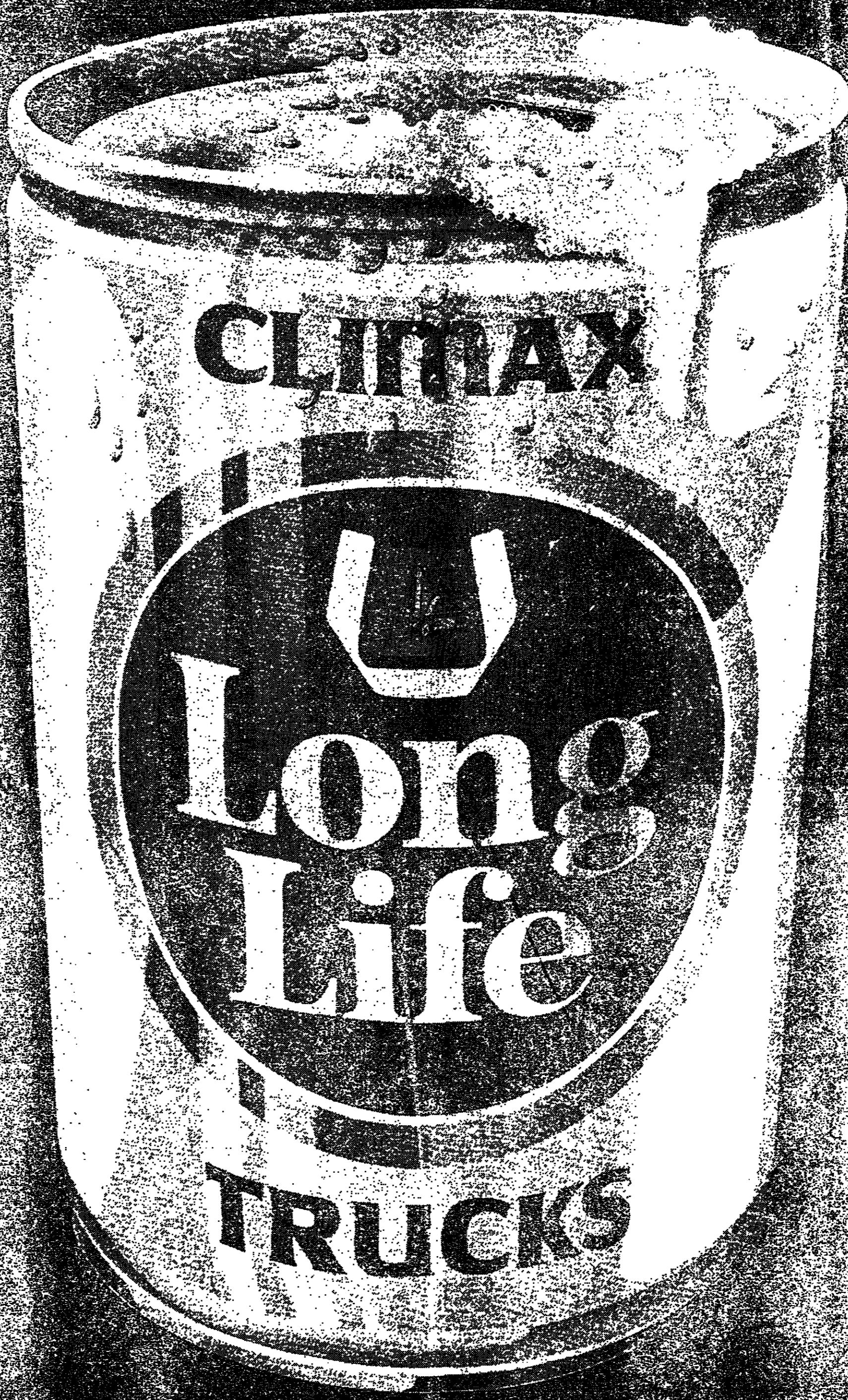
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EVERY YEAR BRITAIN'S MOST FAMOUS FORK LIFT TRUCK HELPS TO SHIFT  
AROUND 4,500,000 OF BRITAIN'S MOST FAMOUS CANS OF BEER

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## • STOCK CONTROL

### Speeds search for the right part

TRUESTOCK is a compact, stand-alone stock control system based on the principle that piece parts can be identified to a computer with the aid of a light pen, just by pointing at them on a drawing. The need for specially-trained operators at terminal locations is thus eliminated and all grades of personnel can have convenient, easy access to computer stored data.

Equipment consists of a microprocessor backed by a small high speed serial line printer, and operated by means of Truedata terminals—a novel man to machine interface.

This interface relies on the idea that the shop floor assemblies products which break down into piece parts. Therefore, the component parts of each product can be shown on an exploded perspective drawing known as an overlay. Each component on the overlay is associated with a roundel and supplementary descriptive in-

### Distance is no problem

WHETHER STOCK is held at national, regional or branch locations, it can be properly monitored and controlled using Stocknet, a computer system from Gamma Associates designed to run on PDP 11 machines that the company supplies.

Aimed at the distribution and retail industries, the system is designed for any business where stock is distributed through a number of locations.

Input to Stocknet can be in batched form at a central site or from branch locations equipped with visual display units. It is possible to build up a hierarchical arrangement covering certain aspects of stock

control in the regional offices but with overall control from head office.

The user converses with the computer and is helped by extensive use of menus, messages and prompting. When standard document contents are entered such as purchase orders, the format appears on the screen and the user is guided through its completion.

Management information that can be called for includes stock movements reports, analysis of non-moving items, variance reports, picking lists and outstanding order reports.

More from 7, Shute End, Wokingham, Berks. (0734 789777).

### Protects the equipment

SAFE environment capsule is a prefabricated, cylindrical enclosure for minicomputers, microcomputers, automatic teller machines and other data processing equipment. The enclosure is adjustable to 8 ft 4 in and is 5 ft 2 in diameter; it provides security, access control, fire protection and an optional microprocessor-controlled early trouble warning for the equipment housed within.

As a replacement for the con-

ventional computer room, the capsule may be installed in any normal office environment and indeed in hostile environments, with no site preparation other than providing an electrical supply compatible with the equipment to be housed within the capsule.

It is to be distributed in Europe by the Safe organisation as the Safe Environment Capsule.

Safe (UK) 235 Borough High Street, London SE1 1JD. 01-407 8455.

### New large computers

ANY LARGE user with between £24m and £74m to spare can now order one or other of a series of new super-computers which Cray Research will begin to deliver in late 1980.

S Series models will range from the S/250 with 1m words of memory to the S/4400, a 4m word CPU with four input/output (I/O) processors and up to 1m words of buffer memory.

The most significant departure for the S Series is its field upgrade potential. Users can enhance a system's memory and I/O capability as computing needs increase. Memory can be increased to the maximum 4m words (32m bytes) and up to four I/O processors can be included.

Addition of each I/O processor allows for significant increases in mass storage capacity and ability to drive peripheral devices.

A most important feature of the I/O sub-system is the incorporation of a memory channel linking it to central memory. This channel allows transfer rates of up to 850m bits per second.

Performance of the largest machine in the new series will lie between five and ten times that of the CDC 7600, itself one of the most powerful ever built.

Cray Research (UK), James Glashier House, Grenville Place, Bracknell, Berkshire RG12 1BX. (0344) 21515.

SINCE IT last exhibited at Interbuild in 1978, Ready Mixed Concrete has further opened its umbrella to include such new companies as RMC Concrete Floors, RMC Panel Products, Aerated Concrete and Cibco Insulations (UK).

These will share the group's stand at the NEC Birmingham, on December 2-8 this year, with established associated companies RMC Mortars, Hall and Co, Readymix Drypack and various group aggregate concerns.

Because of the group's expansion, with emphasis on widening activities within the construction industry, it felt justified in displaying its talents at the exhibition after a six-year

lapse, and, in particular, two new products from the recently acquired Cibco Insulations.

Just placed on the Department of the Environment list of approved insulation products (and shortly to receive Agreement Certificate 79/682) is K-19 cellulose insulation for attics and lofts.

This material has been widely used for insulation in North America and is 100 per cent wood-based natural cellulose fibre blended with fire retarding and vermin-resisting chemicals.

Attractive because it is non-irritating and very light to handle, it can be scooped out by hand from its sack and thrown or pressed down between joists. A contractor however would

use special blowing machines.

Unlike mineral fibre insulations, it is organic with air cells in each fibre which means it can trap more air and so promise greater heat resistance. It also has the ability to reduce the level of external noise.

Recommended for a factory roof, school, or working environment, it is K-19 cellulose fibre insulation which utilises recycled waste paper. This product is applied simultaneously with a liquid bonding agent directly to the roof using a fast "one pass" high pressure technique.

Both insulators are made by Cibco at 2 Crowther Road, Crowther Industrial Estate, Washington, Tyne & Wear (0632 465754).

### Poured or blown into place

WALL-CLADDING SYSTEM in rigid pvc is called Telclad and has just been launched by Telcon Plastics, Farnborough Works, Green Street Green, Orpington, Kent (Farnborough 55685).

This comprises planks in two different designs together with a range of components including edge channels, drips and trims, to make a complete self-

contained system.

Cheaper by area than quality timber, the cladding is fitted to softwood batten, or directly to bricks, breezeblocks and other wall materials. It can be washed down with water and detergent.

Available in white or dove grey as standard but, says the company, it can be made in other colours to special order.

## • CONFERENCE

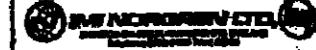
### Studies of fluid flow

IN DECEMBER work in the fields of fluid flow measurement and fluid dynamics will have been carried out for 25 years at the Reynolds Building at the National Engineering Laboratory, East Kilbride, Glasgow.

To mark the occasion a Fluid Mechanics Silver Jubilee Con-

ference will be held at East Kilbride from November 27 to 29. The 33 papers to be presented are said to be representative of the latest international work on design, research, testing and standards for flowmeters, pumps, fans and water turbines, and will look forward to the next 25 years.

**The Queen decorates Morgen Air Aces**  
Makers of the unique Olympian 'plug-in' system and world leading supplier of compressed air processing equipment.



## • COMMUNICATION

### Transmits a copy from office desk

CLAIMED TO be Britain's first desk-top Group III digital facsimile transceiver is being shown by Plessey Communications Systems at the International Business Show in Birmingham.

UF320 is able to transmit an A4-size document in 20 seconds and has capability to adjust its transmission times to the conditions of the telephone lines or the speed of the receiving unit.

Other characteristics include high-resolution, smear-proof copy; and automatic document feeding; and visual display which shows the operator which functions are being performed by the unit.

UF320 conforms to the proposed CCITT recommendations, expected to be released next year.

Normal transmission is at 9,600 bits/second. If there is noise on the line or other line problem, the modem automatically reduces transmission speed to 7,200, 4,800, or 2,400 bits/second.

The document to be transmitted is scanned by 3,200 photocells and exits after travelling only seven inches through the unit. Dry electrostatic process using white bond-like paper and dry powder toner ensure a high resolution. At the recording end, the paper moves across 1,632 stationary printing elements. End copy is permanent and smear-proof.

"Electronic handshake" is a facility that allows the transmitting unit to signal the receiver with a programmed sequence of questions which result in electronic compatibility. At the end of transmission, the receiver automatically signals that copy has been received. Both units then automatically disconnect and return to standby.

## • HANDLING

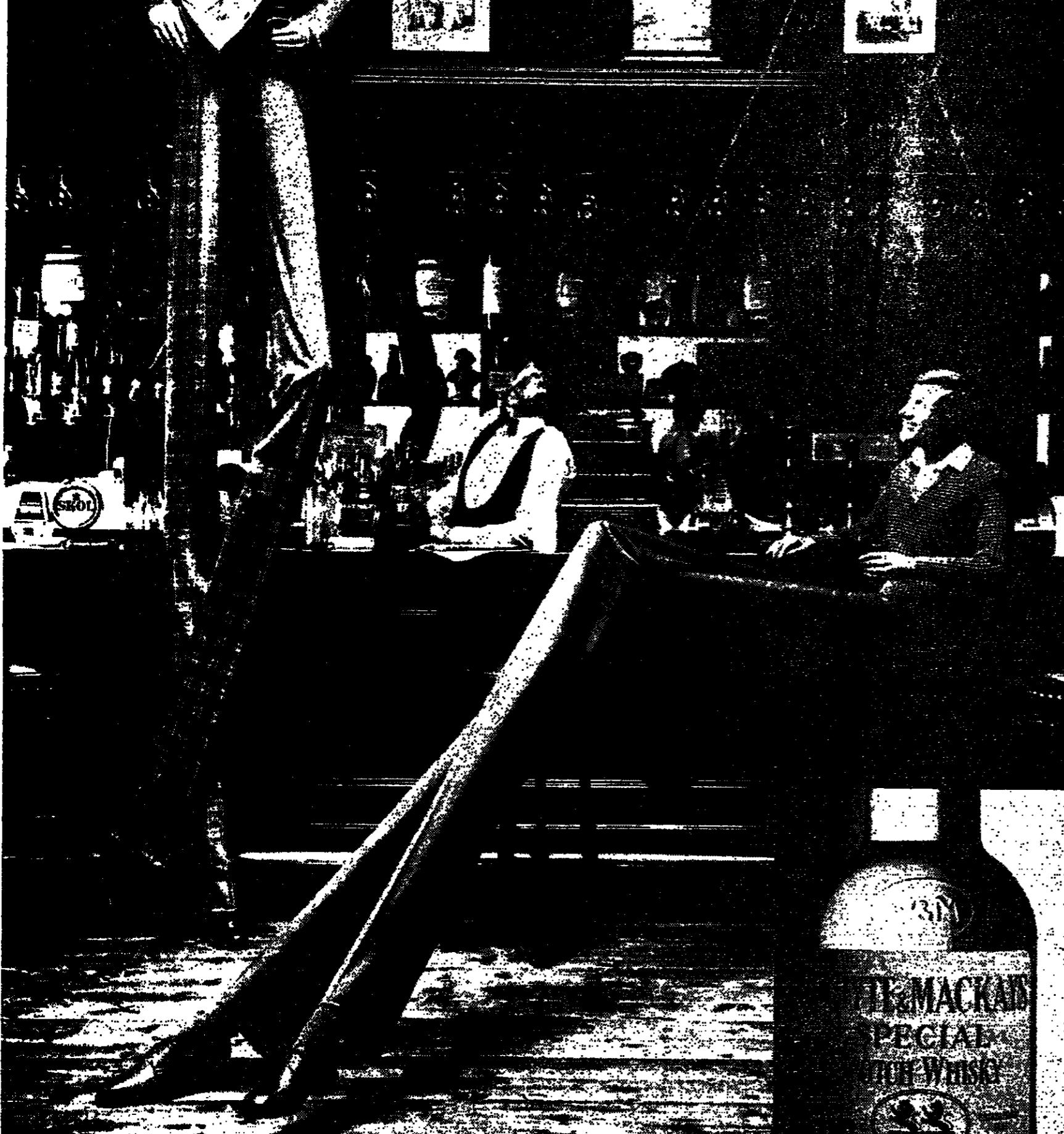
### Quick wrap around

A TURNTABLE has been designed to speed the wrapping of palletised goods in plastics stretch film.

The 1500mm diameter turntable is driven by a 1/4 hp motor at 10 rpm and the overall time required for a pallet load is said to be only 45 seconds.

After securing the stretch film, the operator activates the turntable by depressing a foot pedal and controls the tension and the lay of the film by the simple means of holding the reel of film after the required tension has been adjusted.

Supplier of the equipment is United Packaging Industries (UK), Gomersal, Cleckheaton West, Yorkshire BD19 4QW (0274 870331).



One taste will tell you it's a very superior whisky.

This advertisement appears as a matter of record only.

**quest AUTOMATION LIMITED**  
Incorporated in England under the Companies Acts 1948 to 1967 No. 1130133

**('Quest') Share Capital**

Authorised	Issued and fully paid
£ 100,000	£ 100,000
5.85% (Formerly 9%) Cumulative Redeemable Preference Shares of £1 each (Redeemable 30th June, 1980)	
1,500,000	800,000
1,600,000	900,000

The placing has been completed of 1,500,000 Ordinary Shares of 10p each at 85p per share.

No part of the share capital of Quest is listed on any Stock Exchange and no application for such listing is to be made at this time. The Council of The Stock Exchange has, however, indicated that applications may be made to transact bargains under Rule 163(2) in The Stock Exchange's "Unlisted Securities Market".

Persons wishing to deal in the Ordinary Shares of Quest should consult their stockbroker or other professional adviser in order that the necessary permission for specific bargains can be obtained.

Full information regarding Quest is contained in a prospectus dated 25th October, 1979, and copies may be obtained during usual business hours up to and including 12th November, 1979 from the brokers to Quest:

R. Nivison & Co.,  
25, Austin Friars,  
London, EC2N 2JB.

29th October, 1979.

## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## EXECUTIVE HEALTH

## Blood . . . and tears

BY DR. DAVID CARRICK

IT IS easy to preach and as easy to make mistakes, particularly if misled accidentally by a wealth of attractive evidence.

An admission of my own frailty in this respect: I was recently asked to see a young man's fiancee. She was "in a state," I was told, and perhaps I could help. The girl herself, a young woman who was very made-up but still attractive, confirmed the claims. Her parents were abroad, so she had all the wedding arrangements to manage; she was unhappy at work; a dear relative was mortally ill; her car had just failed its MOT; and she was in debt, particularly to aforesome tax-gatherers.

As to her health, she was constantly tired, had frequent headaches, suffered from nausea, fainted frequently, slept badly and was troubled by indigestion and abdominal pain. Quite a collection for one person. Examination revealed little except for finger-tremors and other signs which fitted with a foregone and precipitant diagnosis of a stress-reaction anxiety state, so I treated her accordingly.

A week later she was rather worse and I did something I should have done on the first visit — took a blood sample which revealed that she was very anaemic. On a fairly high dose of iron, she became a different person in a week; all those "anxiety" symptoms disappeared. She was grateful and I had learned a lesson.

Anaemia, which is fairly common, has been described as "a reduction below normal of the haemoglobin in the peripheral blood." A fair enough description, but meaningless to those who have little or no idea of the function of the red blood cells. A simple account will not go amiss.

These cells are very small, five million strong in healthy individuals. Produced in the bone marrow, they contain a special protein, haemoglobin, which has the remarkable ability of combining with oxygen in the lungs, carrying it to the tissues, releasing it and taking on a waste-product, carbon dioxide, which is taken back to the lungs and discharged in the breath. The ex-

change of these gases in the lungs takes place at a speed that makes that of light appear sluggish.

If an individual is anaemic, it usually means that the red cells do not possess sufficient haemoglobin or that there is a shortage of the total number of red cells. Thus the tissues are starved of vital oxygen and also waste-products cannot be removed efficiently — wonder, then, that the sufferer is fatigued and develops the other symptoms I have mentioned.

Measurement of anaemia is by a haemoglobinometer and levels are expressed as grams of haemoglobin per 100 ml. of blood. Top-rating is either 14 or 16 (depending on the scale used), but I still prefer the old percentage method, in which 100 per cent is obviously a satisfactory reading whereas a reading such as 60 per cent is far more readily appreciated as a problem by me.

## Normal diet

There are two forms of anaemia in otherwise healthy people. The first is caused by sudden haemorrhage and can also occur by less obvious forms of chronic blood-loss, such as bleeding piles or heavy periods.

The other type occurs in cases where there is a deficiency of blood but not enough haemoglobin. The essential elements required for the formation of normal red cells which are adequately stocked with haemoglobin include the following: protein, iron (obtained from red meat, eggs, green vegetables, peas, beans, etc.); vitamin B 12 (very abundant in liver), which combines with a substance secreted by the stomach; folic acid, which is one of the B complex vitamins (obtained from green vegetables, liver, etc.); vitamin C (from milk, green vegetables, fruit, etc.); thyroxine (from the thyroid gland); and several trace elements.

Thus, a normal diet supplies every essential for adequate production of good red cells.

A selection of Dr. Carrick's past articles on various health topics has recently been published by Bay Books, under the title of Executive Health. Price £4.95.

BY THE beginning of summer, Sandy Marshall must have thought 1978 was definitely not his year. In March, after 32 years with P & O, he left after a series of differences with Lord Inchcape, the chairman.

Then, in June, he had barely settled into his new job as executive chairman of the much smaller Bestobell when he learnt that BTR, the industrial conglomerate, was about to make a bid.

At first sight Bestobell looked more than a little vulnerable. BTR appeared to have both the firepower and an impressive growth record. Bestobell's dire (since 1975) profit record provided a stark contrast; this is more, it is so diversified in products, technology and geographic markets as to put its prospects practically beyond the comprehension of all but the most astute City analyst.

In the end BTR failed, conceding defeat in September. But the unwelcome bid turned out to be a blessing in disguise for Marshall. First, it had a unifying effect throughout the company. Managers and employees were not only more willing to accept him but rallied around him. Second, it meant that organisational changes, of which many were already under consideration, could be quickly implemented without opposition.

For a company of its size (last year's turnover was £95m) Bestobell is extraordinarily diverse. At one end of the scale it produces consumer products such as paints and window blinds; at the other it is in the highly specialised business of making custom-built seals for the aerospace industry.

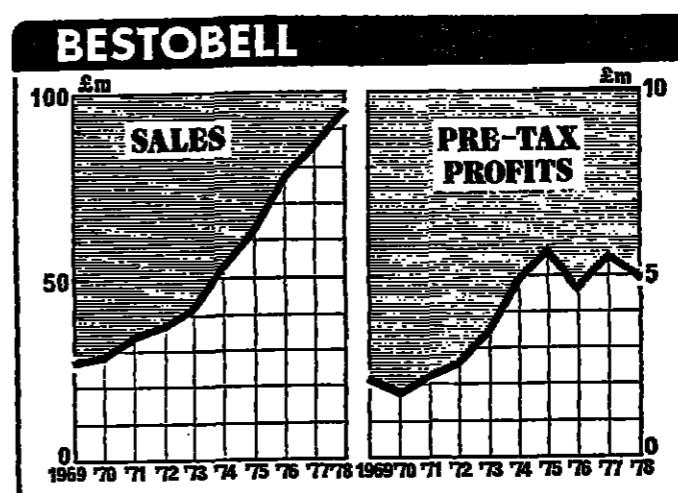
And on the one hand it makes squash balls in Australia, while on the other it uses microprocessors and sonic waves in its British-made flow metering and process control equipment.

But it is not just a manufacturing company. It is also involved as engineering contractors in heat and sound insulation and it has worldwide stockholding and merchandising activities. One observer reflected: "You might say it is something of a dog's breakfast."

That Bestobell was able to fend off BTR was remarkable and can be put down to a mixture of skill, faith and luck. Bestobell's argument was, "yes," its profit performance was poor — it could hardly say otherwise — but that much of this was because

## A mini-conglomerate fights to keep its independence

Jason Crisp on Bestobell's search for new stability in the wake of BTR's abortive bid.



Sandy Marshall (left) in the difficult days at P & O. At Bestobell he is captain of a very different ship, with its own peculiar brand of problems.

of investment in new products, whose benefits were just about to come through — in other words, BTR's bid was highly opportunistic.

The defence was certainly helped by Bestobell's major 10 per cent shareholder, Britannia Assurance (an institution well known for its aversion to takeovers) which objected to the bid.

The defence was also sure-footed tactically. In its first defence document Bestobell forecast an increase in profits of 30 per cent for the current year, together with a rise in dividend of 15 per cent. As always in a bid, BTR was able to attack the credibility of the forecast, but it could not accuse Bestobell of mortgaging the future with too great a leap in dividend.

Once BTR had made its first "final" offer Bestobell published its interim figures a month early with profits duly 37 per cent up, leaving BTR looking a shade parsimonious.

BTR may also have failed because of the rather intangible factor of Sandy Marshall himself. Apart from a certain sympathy for him in the City — a number of people believe that the wrong man left P & O — there was also the point that he was a known figure, well liked and with a sound reputation. Even if people could not understand what Bestobell did, at least they could put their faith in Marshall. It should perhaps be added that the restructuring of the company which took place during the takeover battle did give Bestobell a somewhat more apparent logic.

Bestobell's origins go back a little over 100 years to John Bell and Son, which started producing asbestos in Glasgow. It was renamed Bells Asbestos and Engineering Supplies in 1929 when the merchandising business was started. It went public just after the war and embarked on a series of acquisitions, which were sometimes far from logical and were to make it the mixed bag it is today.

One early, and major, purchase was Ronald Trist, a neighbouring company on the trading estate at Slough which made controls for boilers and heating and ventilating systems. The

more unusual move, which took the company into consumer products, was made in the 1950s when it set up a Danish entrepreneur to manufacture Venetian blinds.

Then, during the 1960s, it bought two further companies, Walter Carson and Parfian, to add paints and chemical cleaning products to its embryonic consumer product division.

The changes have not been dramatic — to some extent they were cosmetic — but Bestobell does now appear to have a better balance, and a certain product logic does show through.

In 1967, with asbestos now accounting for a relatively small proportion of turnover, the company was renamed, with a partial anagrammatical twist, as Bestobell.

Two years later Sir Humphrey Browne, a former deputy chairman of the Coal Board, was appointed non-executive chairman and set about putting some order into this higgledy-piggledy collection of companies. The UK was divided into four divisions with divisional heads while the overseas companies, which at that time had greater sales, reported direct to the board.

But one of the disadvantages was that a small subsidiary overseas could take up a disproportionate amount of management time.

The need for further restructuring had been seen for some time and at this year's AGM Sir Humphrey Browne, who has several other directorships, stepped down after 10 years in the chair, to hand over to a full-time executive chairman, Sandy Marshall. Browne commented that a restructuring of the executive management was needed to "restore the level of performance and to obtain a resumption of growth."

Bestobell's attentions a few days later meant Marshall had to bring forward the restructuring with almost indecent haste. He reflects that the defence would not have been credible "without a new look" to the company.

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The largest of the UK operating groups is "Energy Conservation," which includes the production of thermal and acoustic insulation, steam traps which save energy on boilers, as well as the merchandising business. Merchandising is included in this group because it specialises in insulation, which is increasingly being seen as a form of pollution.

In several areas of the business, Marshall intends to speed up a move which is already under way in the company, going up-market wherever possible into what he calls "niche businesses." An example is in seals, where Bestobell is

handles many other engineering products.

The "Aviation" group is the smallest of the UK groups, accounting for only 16.7 per cent of sales but it is the most profitable and fastest growing, and something of the corporate star.

It makes hoses, seals and components for aircraft such as the air ducts for ventilation. Many of this group's products are very highly specialised, and have very few competitors.

The fact remains that a fair part of Bestobell is not a niche business, particularly the sizeable consumer division. Although Marshall is adamant that he is not intending to sell it, and would be foolish to do so in the near future given BTR's continued presence, it is hard to see the division having a long term future in the company.

As for the current state of Bestobell's balance sheet, the management says it is making progress towards ensuring that its objective of internally funding UK growth will be achieved. It is proceeding with a plan to restructure certain overseas interests, thereby achieving a better balance of worldwide group borrowings and a not insignificant cash flow to the UK. The company's debt-equity ratio may have been further improved by the end of this year through the sale of its palatial country house at Stoke Poges, in Buckinghamshire.

Through all this, Bestobell would appear to have gained more cohesion and direction.

But it still has some way to go in rationalising its wide spread of technologies, markets and products.

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# Britain's voice overseas

BY DAVID TONGE

**THE FUTURE** of the BBC External Services is to coin a phrase, in the air. Cuts to them were discussed in Parliament last week and there is a growing number of Tory backbenchers who share the concern at the damage these cuts might cause. It is never easy to criticise the BBC. "At the first breath of criticism the corporation adopts the posture of a hedgehog at bay," Lord Annan once said. Now is obviously a more sensitive time than most. However, it has to be said that the External Services' output combines both taste and gags.

Each day the listener turning on too early for the 8 am news on the BBC World Service is liable to find himself wincing. That the BBC's French Service, which precedes it on the old Third Programme wavelength, should give English lessons is commendable. But too often the lessons consist of how to visit such dated institutions as the tea shop or of inextricable jocular permutations of the words "Do you have a visiting card?" Then there are programmes on what the English are doing today. The English in question live, it seems, in a different country to the one with which I am familiar. Major Thomson appears to be their model.

One has to admit that there is a lack of quality control over the 38 vernacular programmes of the BBC External Services, not least in the oldest and now one of the more important services, the Arabic one. There are also occasional errors of tact by these.

## Admirable

It is easy to single out examples and to quibble about Bush House's most cherished product, the World Service in English. Are cricket and racing results worth the hours they get, for instance? But quibbles are one thing, criticism another and condemnation quite a third. However questionable some of the past, the gems are genuine. The news programmes are by far the best on the world's airwaves. The current affairs output may too readily adopt such vogue terms of British politics as moderate and extremist. But the breadth of coverage and range of views presented is admirable.

The 10 per cent cut in the annual Foreign Office grant of next year, a scheduled £45m would mean the axing of 16 of the 12 and 16 of the lan-

## Weapon

One argument advanced in favour of not touching the BBC is that information is a weapon and that since the defence budget is being increased so should that of the BBC. It is an argument of which many journalists involved in the BBC would be wary. They are indeed required by the corporation's charter to broadcast in the national interest. Apart from the odd tussle between Whitehall and Bush House the occasional dipomat at 5.45 has been known to summon in a correspondent of the BBC to demand obedience to the charter. In the case of coverage of the Biafran war, Foreign Office influence seemed over.

There is also the fact that

many of those employed in Bush House are required to sign the Official Secrets Act.

For the BBC to maintain its high reputation for impartiality exactly such pressures need to be avoided. But so too should the financial constraint.

In 1977 the Annan Report on Broadcasting focused on the BBC's "swollen bureaucracy" and "organisational fog". Much of the criticism was then directed at the Home Services but the present tussle between the Government and the Corporation could be productive if it forces improvements in this field. There are also the arguments put forward two years ago by the Central Policy Review Staff headed by Sir Kenneth Berrill that "too much broadcasting was done to the developed free world."

Government cuts may be concentrated in these areas. Other countries' world services are expanding. Britain's, which is so often their model, are not.

The proposed cuts are the equivalent to the cost of one tenth of a Concorde. This trivial scale provides the most telling perspective.

Instead of suffering the death

of a dozen cuts surely the External Services should be supported—as Mr. Peter Blakemore, Minister of State at the Foreign Office, argued while in opposition.

# Bloodstock prices spiralling

**THERE IS** now no doubt that the world bloodstock business is firmly embedded among the major international currencies as the East's and West's shrewdest businessmen turn to the commodity in ever-increasing numbers.

No longer is it a case with many such businessmen of the

## RACING

BY DOMINIC WIGAN

commodity being a minor diversification, but one which takes pride of place in continually scrutinised portfolios.

Nine days ago at Newmarket, Europe's most important yearling auction, the Houghton Sales, closed following some of the most remarkable sessions of frenetic bidding ever seen at an auction. Figures alone (and they were startling in the extreme) hardly paint an accurate picture of the state of play

in the world market—for the gulf between supply and demand still appears to be widening at the top end of the market.

It is probably fair to say that had the Houghton Sales continued for another two or three days with yearlings of comparable overall quality entering the ring, the average of approximately 30,000 guineas might well have been maintained.

Averages returned at yearling sales in both France and Ireland this autumn showed that the one-time wide disparity in prices obtainable in the U.S. compared with Europe, might soon end. Now we know that situation to be reality.

An unnamed Arab paid a world record £625,000 guineas for a son of Llyphard at Newmarket. The VAT came to almost £100,000.

The strength of the market was further emphasised by the averages returned for the leading dozen sires with four or

more representatives sold. They ranged from the 270,750 guineas (Llyphard) to 32,200 guineas (Home Guard).

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## Benidorm tops hols

A SURVEY for the travel trade puts Benidorm at the top of the list for both summer and winter holidays.

But in the summer, Lloret de Mar on Spain's Costa Brava, No. 2 in 1978, gave way to Corfu, and dropped to sixth place.

Magaluf in Majorca has taken over from Puerto de la Cruz in Tenerife as No. 2 winter spot

at the following times:

Scotland—11.00-11.20 am. For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.57 News and Weather for Scotland.

Wales—10.35-10.55 am. 1.55 Nationwide (London and South-East only). 6.20 Nationwide. 6.55 Angels. 7.20 The Rockford Files. 8.10 Panorama. 9.00 News. 9.25 The Monday Film: "Pocket Money," starring Lee Marvin and Paul Newman. 11.00 Film 75. 11.36 News Headlines. 11.32 Roadshow Disco. 11.57 Weather/Regional News. All Regions as BBC1 except at the following times:

England—11.00-11.20 am. For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.57 News and Weather for Scotland.

5.40 News. 5.55 Nationwide (London and South-East only). 6.20 Nationwide. 6.55 Angels. 7.20 The Rockford Files. 8.10 Panorama. 9.00 News. 9.25 The Monday Film: "Pocket Money," starring Lee Marvin and Paul Newman. 11.00 Film 75. 11.36 News Headlines. 11.32 Roadshow Disco. 11.57 Weather/Regional News. All Regions as BBC1 except at the following times:

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9.00 am For Schools, Colleges.

## THE ARTS



Leonard Burt

## Adelphi

## My Fair Lady

by B. A. YOUNG

There is little doubt in my mind that *My Fair Lady* is the best musical there has been since I began going to the theatre. The story comes with only little changes from Shaw's most romantic play, and much of Shaw's dialogue is retained. To this splendid script are added the clever lyrics of Alan Jay Lerner, full of cunning word-play and if idea-play that can look Shaw in the face, and the fine musical score of Frederick Loewe, which descends much more from his youth in Germany (where he studied with Busoni, among others) than from his adopted America. The result has everything—drama, romance, intelligence. Lerner and Shaw kept us clear of any trace of vulgarity, and Loewe supplies a faultless chain of songs, every one a winner both musically and in the illustration of its words.

I am one of the rare people in my generation who never saw *My Fair Lady* before, either on the stage or the screen, and I am not handicapped by recollections of its former magic. I know the performances only from the records. And I cannot believe that Rex Harrison can have been a better Higgins than Tony Britton. Mr. Britton gives a beautifully acid performance of that arrogant artifice, his awareness of others totally lost beneath his devotion to his professional pursuits. Mr. Britton, using the accepted blend of speech and song, is able to act vividly as he sings, and even more vividly of course when he does not.

Liz Robertson, his Eliza Doolittle, emerges unquestionably as a star with her performance. As guttersnipe or as society lady she is ravishing to look at: she sings the songs beautifully, both the point numbers ("Just you wait, 'Enry Higgins") and the romantic melodies ("I could have danced all night"); and she acts with all the skill needed for this important acting part. I was altogether convinced by her Cockney vowels, but in any case Shaw made such a phonetic mess of writing them down that anyone may be forgiven for offering a personal rendering. Who taught her, I wonder, to curse so gracefully at the Embassy ball—Higgins or Pickering?

I was not overwhelmed, though it's only fair to say that the house was, by Peter Bayliss's Doolittle. There is too much artificiality about it, too

much music-hall Cockney, to fit in with the naturalistic acting of the others. It's true that his too big numbers, "With a little bit of luck" and "Get me to the church," are only done in the company of the chorus of costermongers and flower-girls, but even so I felt that we had made too abrupt a change of gear.

The designs by Adrian Vaux

depend mostly on the ingenuity of flats; the only three-dimensional scene is Higgins's sitting-room.

It is all lovely to look at and

Tim Goodchild's costumes (though I suspect an occasional anachronism) fit it out splendidly. The dances are joyously staged by Gillian Lynne.

Richard Cawdron makes a good Pickering, sneaking an occasional comic moment into the promise of a complementary instalment in 1981 is so generous and all-embracing that one is in danger of taking it for granted, of assuming it will always be there. But although it is the kind of event that should happen often in a city with London's musical pretensions, if they mean more than being a magnet for star conductors and soloists, it is in fact unique. Don't let it slip by.

A handful of Stravinsky

works will always be with us, but during the next month you can hear rare and unusual things by the most brilliantly gifted composer of the century which won't under any circumstances turn up often.

Friday's concert by the LSO

under David Atherton aroused

as much enthusiasm as if the music had been by Stravinsky's beloved Chakovsky. The fact that the hall was not full was no doubt due to the absence of a concerto and thus of a prominent soloist. Stravinsky, who had to spend much of his life thinking about the present, neglected one aspect of the future by writing too few concertos.

The Undertaking at the Fortune

The Undertaking, starring

Kenneth Williams with John

Baron, Lorraine Chase,

Annette Crosbie, Gerald Flood,

Steven Grives and Miriam Karin

will open at the Fortune

Theatre on Wednesday October

31.

BBC Religious

Broadcasting post

Dr. Colin Morris has been

appointed the BBC's Head of

Religious Broadcasting with

responsibilities across the whole

corporation, and will take up his

post on December 1. Dr. Morris

will continue as Head of

Religious Programmes, BBC

Television.

## Festival Hall

## Stravinsky Festival

by RONALD CRICHTON

The great festival now unfolding with the notable collaboration of the London Symphony Orchestra and the London Sinfonietta, bringing the promise of a complementary instalment in 1981 is so generous and all-embracing that one is in danger of taking it for granted, of assuming it will always be there. But although it is the kind of event that should happen often in a city with London's musical pretensions, if they mean more than being a magnet for star conductors and soloists, it is in fact unique. Don't let it slip by.

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## 17th Belfast Festival

The 17th Belfast Festival at Queen's University will run from November 8 to 24, comprising over 180 performances of music, drama, film and other entertainments.

Those taking part will include

the Ulster Orchestra, BBC Northern Ireland Orchestra, Baroque

Chamber Players, Stuttgart

Piano Trio, Franz Schubert

Quartet, Queen's Chamber

Choir, Joe Newman Band,

Abbey Theatre Company,

Osborne Players, Black Box

Puppets, Shared Experience and

the Cambridge Buskers, as well

as solo soloists ranging from

violinist Ruggiero Ricci to

vocalists Cathy Berberian and

Petula Clark.

As centrepiece to the festival

Belfast Philharmonic Society will combine with the Wexford Festival Singers to

give a performance of Brahms' German requiem.

E.F.

As centre-piece to the festival

Belfast Philharmonic Society will combine with the Wexford Festival Singers to

give a performance of Brahms' German requiem.

The set helped—a tall tower of verticals and horizontals

## Arts Book Review

## Chagall and Lowry

Marc Chagall by Sidney Alexander. Cassell. £8.95, 328 pages

Private View of L. S. Lowry by Shelley Rohde. Collins. £3.50, 337 pages

through of its predecessor, fell in succession on young Chagall's naked soul and available body. It is all good stuff.

Shelley Rohde's study is altogether more sober affair. Lowry secured a particular niche in the affections of the British public not only through the immediate eccentric and anecdotal appeal of his work but, most importantly, by the peculiar history of his life. Miss Rohde is not above a special plea or two on this account. "Most British artists have to wait until they die before being honoured. L. S. Lowry has been luckier than most." Lowry's laughter upon reading those words must indeed have had a hollow ring. And a little earlier she quotes, admittedly somewhat sceptically, the suggestion some friends of Lowry had made that his participation in the signed reproduction racket was "his sweet revenge for the years of neglect."

Well, many artists feel hard done by and with good reason. But Lowry himself did not do at all badly. He died extremely rich, and throughout his working life he enjoyed, if not always financial success, at least a fair share of support and encouragement. Salford is not exactly the hub of the art world, and if he remained there for his own reasons he could hardly resent the isolation it forced upon him.

The Tate acquired his work before the war; London exhibitions during and just after it were conspicuously successful. Perceptive collectors, the Queen Mother amongst them, bought early and were inclined to continue. Lowry was in the academy by the mid-fifties, and a grand old man of British Art for two decades more. The hard luck story simply does not fit.

And the sad thing is that its currency has done his reputation little good, putting him and his circumstances in the way of his work. Lowry was not the greatest of artists, but he was always serious and, at his best, very good indeed, especially so in the years between the wars. But to many people he remains what in fact he never was, a curious, innocent primitive artist, untaught and eccentric. Miss Rohde tells her story of a sad, insecure and extremely likeable man, obsessive about his art and jealous of his gift, with commendable discretion and sensitivity. How close we get to the work is another matter.

WILLIAM PACKER

All analysis of art history, are cast in the simplest and most cursory of terms, and there is little enough of it, only three of the paintings reproduced. And the rest is a colourful, fulsome, indulgent kind of feature journalism, tripping over itself in the desperate search for effect: "Surely there was an abundance of fish in Chagall's boyhood: herring, carp, seafish fish were a staple part of the diet in Eastern Europe, his father was literally pectorally drenched." "Paris was an explosion, a sunburst." "These waves of art styles, the crest of one foaming onto the Three Movements.

These three scores cover something like 25 years, yet with their short periods so full of electricity and so craftily put together, they seemed to be inter-acting violently, sending powerful currents across the intervening time-gaps. A feeling of continual awareness of the needs of classical dance (even, if not deliberately, in the symphony), was enhanced by the experience a few weeks ago of seeing Stravinsky's *Cappuccio* danced by the New York City Ballet at Covent Garden and played under Robert Irving's direction with a deceptive ease, fluency and glancing wit not always forthcoming (though much else was) in the *Rossignol* and *Jeu de Cartes* in the Festival Hall concert. The outer movements of the symphony need more aggressive qualities and got them in full measure.

But it's a Gelford solo really and his ego is big and attractive enough to run the show. He

captures the act, the audience and probably the traffic lights on Hammersmith Broadway as well. There is no avoiding the fact that he is a Mick Jagger clone, in his strident features, agility on stage, rough and knowing voice, even his gestures. But he still seems to be enjoying the audience and virtuously commanding it to get up and dance from the start or as he put it, with irresistible dromy: "if you sit down I will personally sort you out afterwards." So the band was certain of some atmosphere.

The set helped—a tall tower of verticals and horizontals

ANTONY THORNCROFT



Fiona Kimm

## Theatre Royal Nottingham

## La fedeltà premiata

by RONALD CRICHTON

The present Glyndebourne Touring Opera season includes Haydn's *La fedeltà premiata* in the production by John Cox seen last summer. Hugh Clossen's soberly sumptuous prospect of gardens and lake set pretty well in the Theatre Royal on Thursday night. The audience was larger than I have seen for a Haydn opera staged in London. Attendances during the work throughout the tour have apparently been most encouraging—curiosity and the will to try unfamiliar things are no longer confined to the opera-buffs of the capital.

Thursday's good performance, so warmly received and attentively followed, showed that Haydn's endlessly varied and heart-warming score is not merely an interesting survival from an age beyond recall. The plot is complicated but dialogues and situations are entertaining. With strong casting and a good English translation (because the company have already learned the original text, Glyndebourne sticks to it) there seems no reason why *La fedeltà* should not become a repertory work.

John Cox, it may be remembered, produced the opera (a pseudo-classical romp about a curse by Diana upon the people of Cumae which is supposed to ensure chastity but has the opposite effect) as a house-party charade in the ornamental grounds of an 18th century palace resembling Eszterháza where Haydn wrote the piece. For the tour, Jeremy James Taylor has modified the play-within-a-play aspect (the forest-grove groups have gone and the onlookers are sometimes reduced to a forlorn, if princely, couple) to the point where it could conceivably be done away with altogether without diminishing the extremely handsome visual effect—once again, what a pleasure to see theatre costumes so well made.

So the Rats at Hammersmith on Friday didn't quite make it. Even so they were pretty good. Gelford is very smart and not yet insufferable and with his physical presence and sharp wit he controls the act, the audience and probably the traffic lights on Hammersmith Broadway as well. There is no avoiding the fact that he is a Mick Jagger clone, in his strident features, agility on stage, rough and knowing voice, even his gestures. But he still seems to be enjoying the audience and virtuously commanding it to get up and dance from the start or as he put it, with irresistible dromy: "if you sit down I will personally sort you out afterwards." So the band was certain of some atmosphere.

The only doubts are about the music and the glibness of it all. There are blockbuster songs such as the pseudo-political "Kat-Trap" and the recent "I don't like Mondays," not an easy platitude but based on a California girl who actually shot up her school to show her dislike.

ANTONY THORNCROFT

## Short tour for Amalgam

The Midlands Jazz Centre Society is organising a short tour next month by Trevor Watts' group Amalgam which, in its latest edition, is said to cover a "jazz-rock base with American, European and even Oriental elements."

Amalgam was first formed 12 years ago and the musicians on the November tour will be, apart from Watts on alto and soprano, Keith Rowe, guitar; Colin Mackenzie, bass; and Liam Gernery, drums.

Venues are Imperial Hotel, Nottingham on November 7; Phoenix Theatre, Leicester on November 9 and Birmingham Jazz Society, November 11.

Fuller details from the MJS on (021) 359 5545.

## RUGBY UNION BY PETER ROBBINS

## Coventry's deficiencies exposed

AFTER A highly successful September, Coventry have suffered three successive defeats, the latest at the hands of Moseley by 6-10 at Coundon Road on Saturday. It was not that Moseley won the game themselves but that Coventry gave it away in the second half.

Pal Kne, the new Coventry captain, demanded a high level of pre-season fitness and from the looks of things he has achieved it. This year there is a panel of seven coaches headed by Jim Robinson, and although this policy spreads the load, I am not really convinced that such a system is effective. Already the problem of midweek matches has seriously interfered with the team's preparation.

Kne says he is trying to get the individual players to assume greater responsibility, mainly in pace and reaction. When Foukou and Coulthard had the ball they and Davies made some pretty patterns running diagonally without going for it.

Al Moseley had to do was to pick them off. Maisey and Hall both showed the way with some direct running.

Moseley had a similar start to last season which was not too bright and with a long list of injuries. However, they did reach the John Player final

last year and are a resilient side. Field, their strong second-row man, is back in action as is Cox's hooker but there are still injuries to Thomas, and Akenhead. Laird, their left-wing, who was a source of irritation to Coventry broke a collar bone on Saturday.

It seems Moseley have been unable to combine fluently the two units. So Gifford, again an England squad player, has been dropped and Cooper moved to full-back. Morley was brought in to get the ball away quickly and he certainly did this but not always where Corless wanted it.

Given the choice between speed and length of service, the preference must be for speed. Only the exceptional players such as Laidlow, Catchpole and Edwards combine the two.

Martin Cooper is a player of quality and versatility and although he was helped by Coventry's inept kicking, he looked thoroughly at home as a flanker, showed more touches of class that pick out the good player from the ordinary. Again from England's point of view, Field could well find himself pressing for a place against New Zealand and he will have the chance to validate his claim when he teams with Horton against the All Blacks next week at Leicester.

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## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY  
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Monday October 29 1979

## New move on Ulster

THE INITIAL reactions to the latest British move on Northern Ireland have not been encouraging. Mr. Humphrey Atkins, the Secretary of State, told the House of Commons last week that the Government is preparing to invite leaders of the political parties in Ulster to a conference next month with the aim of seeking "an acceptable way of restoring to the people of Northern Ireland more control over their own affairs."

The move was entirely in line with the Queen's Speech at the opening of this Parliament, and cannot have come as a complete surprise to the parties concerned, even though they were not told of the details of the statement in advance. Yet the Official Unionists have indicated an unwillingness to attend the Democratic Unionists of Mr. Ian Paisley have been scarcely more receptive, and there has been no great enthusiasm from the Catholic SDLP.

**Drift**  
Mr. Atkins, however, is right to go on trying. The main criticism of Britain's Ulster policy over the past year or so—whether it has come from home, from Dublin, or from further afield—has been the absence of a political initiative. It was to the great credit of Mr. Roy Mason, the former Secretary of State, that he used the early period of his office to re-establish security and to do something for the Northern Ireland economy. Yet Mr. Mason was one of the principal victims of the Labour Government's refusal to call a general election last October. By that time it was clear that a new dimension to the Ulster policy was needed, but it was unlikely to come from a lame duck government that became increasingly dependent on Ulster Unionist support. The situation in Ulster was allowed to drift, if not to deteriorate.

The Conservative Government has paid the price. The improvement in the efficiency of the Provisional IRA took place before it came to office, though some of the effects—such as the killing of Lord Mountbatten—were felt only afterwards. There was also a distinct worsening of relations between the army and the Royal Ulster Constabulary.

## Brittleness of one-man rule

THE CIRCUMSTANCES of the shooting of President Park Chung-hee and the shape of the power struggle in South Korea are far from clear. But what the extraordinary events in Seoul over the weekend do demonstrate, as did the downfall of the Shah of Iran, is the vulnerability of dictatorial regimes pursuing policies rapid social and economic change.

**Credibility**  
In Iran's case, the confidence that the West had in the Shah was reflected in massive arms sales which were seen as contributing to the security of the Gulf region. In the case of South Korea, trust in President Park has been reflected in the readiness of the foreign banking and business community to lend and invest massively because of a belief in the capacity of the country under his leadership to sustain rates of growth virtually unmatched in the world.

Whoever does emerge on top will have an uphill task in re-establishing the credibility of a stable Government in South Korea. President Park was no ordinary politician. He was the pivot in a complicated network of power, seemingly President for as long as he wanted the post, and the man who held the whole system together.

Dictatorships usually tend to become insensitive with the passing years. President Park had a broad grasp of the economy and painted in broad strokes the direction he wanted it to take. He liked results, bullied his Ministers to achieve them and did not pay too much attention to detail. The approach seemed to work while the economy continued to expand at a fast clip. But when the initial signs of unrest began to emerge in such diverse forms as the massive success of the opposition New Democratic Party in the election or the sit-in by textile workers recently objecting to the closure of their factory, he brushed them aside.

Newspapers also have been guilty of treating South Korea as a country in which politics did not exist.

In fact, as we increasingly know, political life had not been totally suppressed by President Park. As long as national income was still growing fast, open opposition was largely confined to intellectual dissidents, students and Christians. When the economy turned down last

lary as both groups sensed that the security situation was again getting out of control.

At the same time, the absence of a political initiative, plus the successful propaganda methods employed by the IRA—for example, concerning the "H" block prisoners—led to an increasing interest in Ulster abroad, especially in the U.S. In Dublin too, where it has been belatedly realised that the IRA is as much a threat to the south as it is to the north, concern at the drift in British policy was growing.

## U.S. interest

All those factors came together to persuade the new Government that something more than the old British policy of seeking to contain the violence must be attempted. Even before Mr. Atkins's statement last week, there was already some evidence that a new policy was being formulated. The murder of Lord Mountbatten has at least led to closer co-operation on security matters than ever before between the UK and the Republic. The appointment of Sir Maurice Oldfield to help coordinate intelligence activities should also help to improve relations between the army and the RUC.

Not least, it is worth noting that Mr. Atkins, who is so often criticised at home, appears to be liked and trusted in Dublin and has been praised for his latest initiative by leading U.S. politicians. Not all the British may like the American interest in Ulster, but it is a fact of life which must be taken into account. It would be also unwise to believe that the interest of (say) Senator Kennedy is malign.

## Agenda

Mr. Atkins has deliberately left the outlines of his initiative vague, just as the parties in Ulster have declined to say categorically that they will not attend the conference under any circumstances. A consultative document is still being prepared. In the end it seems unlikely that the parties will refuse to have anything to do with it, even if the outcome is failure. It is an attempt that had to be made, if only to show how difficult it is to progress even an inch.

LAND HAS been at the centre of the struggle between Jews and Arabs in Palestine since before the turn of the century. Land is at the centre of the struggle to turn the Camp David agreement into a lasting peace. It also was at the centre of two events which shook Israel this month.

When Mr. Moshe Dayan, the Foreign Minister, resigned on October 21, he said he was going because he differed from the majority of the cabinet over its policy towards the occupied West Bank. From his remarks it could be deduced that he objected to their clearly annexationist tendencies.

The surprise caused by his resignation gave way to shock within the Government when the Supreme Court last Monday ordered the dismantling of a new Jewish settlement established on privately-owned Arab land on the West Bank.

The court's rejection of the argument that the settlement served a military purpose undermined the basis on which land in the occupied territories had been taken for the more than 100 settlements established by Israel since 1967.

The deterioration of Israel's image in the West and the U.S. in particular, has derived in no small part from international objections to the way in which it has taken occupied Palestinian land to implant Jewish settlers in the midst of the occupied population.

Building Jewish settlements in the occupied territories is nothing new. For 10 years the then Labour Government did it, arousing scant attention in the world at large. Most countries were content to accept that the settlements were needed for the defence of Israel.

## Rapid change in picture

But when Mr. Menachem Begin came to power with his right-wing Government 2½ years ago the picture changed rapidly. He immediately announced to all the world that the West Bank or Judea and Samaria as he calls it in biblical terms, was a part of the no less biblical Land of Israel.

It did not take long for him to assert that it was an integral part of Israel, though he took no legal steps formally to annex the territory.

He declared that many more settlements would be established, even in the areas where the Arab population was concentrated. The new Prime Minister had no compunction about acting on the West Bank as though it were part of Israel proper.

Rather than following the cautious policy of the Labour Government, which had concentrated their efforts on sparsely populated areas, or places where the illiterate peasants hardly knew how to react to land requisition orders, he encouraged settlement in the midst of the populated areas.

Israel has established military governments to administer the occupied territories. International laws regarding occupied territories are applicable to

There the land was not solely owned by simple farmers. Some of it belonged to richer, more educated men. They saw the threat coming closer to their pockets and went to the Israeli courts. Nine appeals and 14 years later they finally had their victory over the Elon Moreh settlement established in June beside Nablus, the largest town on the West Bank.

The Supreme Court ruling caused calls within the coalition for the immediate annexation of the occupied territories, so that military subterfuge could be dropped and land be taken for settlement as a national goal. The Palestinians' joy was tempered by long experience of Israeli dexterity in finding new legalistic ways to pursue acquisition plans.

Israeli seizures of West Bank land started immediately with the capture of the area in the war of 1967. Three villages were razed in the Latrun salient which jutted across the direct route between Jerusalem and Tel Aviv. Their land was taken over for Israeli farmers, as was



these areas, though Israel had some objections. It never recognised that the 1949 Geneva Convention Relative to the Protection of Civilian Persons in Time of War applied to the occupied territories.

This proved crucial, because the Fourth Geneva Convention of 1949 forbids the transfer of the civilian population of an occupying power to occupied territory. It is on this point of law that the U.S. and many other countries, base the charge that the settlements are illegal.

Israel denies the applicability of the Geneva convention on a number of counts, one being that sovereignty over the West Bank was not clear at the time of the occupation and, second, that the reference to transfer of population was intended to prevent a repetition of the population transfers carried out in Europe by Hitler.

## Shaky legal foundation

But Professor Yoram Dinstein, Professor of International Law at Tel Aviv University, says that "there is no country in the world willing to accept this contention which is based on shaky legal foundations, and, in practice, Israel admits the applicability of the convention's humanitarian directives to the administered areas."

Israel does accept the applicability of The Hague convention of 1907 concerning laws and customs of war on land. It accepts its ruling about the use of occupied land, the relevant aspect there being that the occupying power may requisition land for temporary use in cases of military necessity. This was the provision invoked to take the land for Elon Moreh, and the failure to prove military necessity in title.

According to sources in the defence establishment as the Israeli officials concerned insisted on being described, the ownership of the lands in the West Bank breaks down as follows: 3.2m dunams are privately owned; 430,000 dunams are owned by absentee owners; 696,000 dunams are state land; 30,000 dunams were owned by Jews prior to 1948; 1.5m dunams are land without clear title (these figures do not include the area annexed in East Jerusalem in 1967).

In the Gaza Strip the following is the breakdown: 253,000 dunams are privately owned; 8,000 dunams belong to absentee owners; 40,000 dunams are state land; 800 dunams were owned by Jews prior to 1948; and 63,000 dunams are without clear title.

How much of this land has Israel acquired since 1967? According to those same sources in the defence establishment, the picture regarding privately owned land on the West Bank is as follows: 61,000 dunams (on the grounds of military necessity and for temporary use); 80,000 dunams purchased by Israel; 42,151 dunams expropriated (for public purposes to benefit the local population); 970,000 dunams closed by the military government (for use by the army for manoeuvres and training). Farmers can apply for permits to use their land when not needed by military.

For the Gaza Strip the picture is: 40 dunams requisitioned, none purchased by Israel; 700 dunams expropriated, and 11,000 dunams closed by the military government.

If these figures are added together with state land, which Israel treats as its own, the total area affected in the West Bank is 2.1m dunams (about 38 per cent) and in the Gaza Strip 51,740 dunams (about 16 per cent).

The cabinet decided at a meeting two weeks ago that land to which there is no clear title, unregistered land as it is often called, would in future also be regarded as state land. This means that another 1.5m dunams on the West Bank and 63,000 dunams in the Gaza Strip can be used by Israel for settlements without any individual being able to appeal against this use of the land.

The Mayor of Gaza, Mr. Rashad al-Shawa, argues that this Israeli use of the state lands is completely wrong—that the land belongs to the people who inhabit it, and is not supposed to be distributed among Israelis even if they currently are the occupying power.

One Palestinian expert on the land question noted that Israel treats the state land as though it were the sovereign power. By doing so, he noted, Israel is pre-judging the eventual status of the area which, according to the Camp David Agreement, should only be decided in five years. It is what Mr. Dayan, when he was Defence Minister, used to call "creating facts."

## Closed off by army

According to the Israeli officials 40,000 dunams of the private Arab land requisitioned on the West Bank on the grounds of military necessity were used to build Jewish settlements, while the other 21,000 dunams requisitioned were used for "military purposes." The Palestinians provide a detailed breakdown, settlement by settlement, which shows that 107,000 dunams of private land were taken for settlements on the West Bank. They also detail 9,010 dunams of state land given to the surrounding Arab villages.

Each day news of fresh moves by Israel to take land are announced. The struggle began before 1900 continues. No such detailed work has

been done by the Palestinians in the Gaza Strip, but according to Mayor Rashad al-Shawa and other residents, the army closed off 60,000 dunams early in the 1970s. Today three settlements are on this land, and more are planned. In addition there are two other settlements in the strip, one on the site of an Israeli settlement lost in the 1948 fighting. The Israeli sources had no figures for land used for settlements in this area.

The occupying power is entitled under the Hague Convention to requisition land for military needs and for "temporary use." But Israel intends its settlements to be permanent and it is this which leads many to regard the use of requisitioned land for settlements as illegal. However, so far, the Israeli courts have rejected this argument when put by the Arab landowners.

## Displacement denied

The Palestinians complain that the settlements are displacing the farmers who eventually will be displaced. It is pointed out that in the Jordan Valley, which 100,000 Palestinians, mostly refugees, left after the 1967 war, Israel has taken control of 40 per cent of the farm land.

Today there are 2,000 Israelis farming that land, while the remaining 22,000 Palestinians have to make do with the other 60 per cent.

Israel denies that a single Palestinian was displaced when land was given to the settlers. But this is countered by Dr. Paul Quiring, who has made a detailed study of Israeli land acquisitions. Last year he wrote that taking land from Arab villages is not an abstract matter because "farm land is the basis of the village economy." After detailing cases of individual farmers who lost most of their land to Israel, he went on:

"The people continue to live in their homes, with some perhaps even prospering in their new employment (most likely a job taken as a day labourer in Israel to support his family), but the economic base on which the village was built has been taken out from under them. When the political or economic climate changes and it is no longer possible for the labour force to find work as labourers, they have nothing to return to in their villages."

It certainly is difficult to see how it will be possible for Israel to take land for settlements without adversely affecting the indigenous Palestinian population. There are already many indications that settlements built some years ago are demanding more land. In many cases they will only be able to expand at the expense of the surrounding Arab villages.

Each day news of fresh moves by Israel to take land are announced. The struggle began before 1900 continues.

## MEN AND MATTERS

## Boning up for Hua

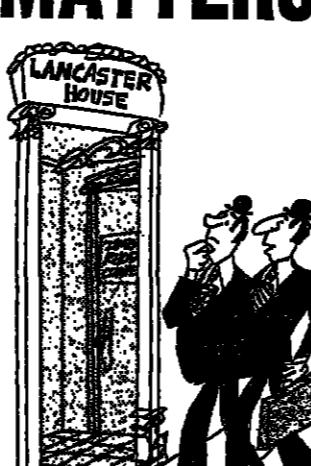
The questionable Western vogue of meeting for breakfast is not actually being inflicted on him, but Chairman Hua Guofeng of China will find himself talking turkey soon after digesting his kippers at Claridge's tomorrow.

One of his less-publicised engagements is a meeting at 8.45 am with GEC chairman Lord Nelson, president of the Sino-British Trade Council. The interpreters should have an easy time of it. Vice-president Bernard Buckman, who will also be present, speaks good Chinese—"only 500 characters," he says modestly—and will be on hand to reinforce arguments about the need to double trade with China by 1985.

Chairman of the Wogen-Buckman Group, Buckman is one of Britain's more experienced China-watchers; he knew both Chou En-lai and Mao, and has visited the country at least twice a year since 1953. According to Buckman, Hua will be well-prepared: "The Chinese know the markets in detail—they collect all the intelligence they can, from their commercial offices, from their embassies, from Reuter... When you come away from doing a deal it's as if you've done a viva."

Hua's interest, says Buckman, will be in specifics, and it has been made clear that China will not buy until it has been able to sell. His own group is prepared to buy £50m worth of metals in the first year of any agreement. However, he is pessimistic about British industry in general walking up to the possibilities in China: "Most people here are very conservative. They don't realise the Industrial Revolution was a long time ago." West Germany's trade with China is, he points out, treble that of Britain's annual £350m.

Ironically, Buckman's own interest in trading with China was aroused at the 1952 Moscow Economic Conference. He tells me that after three days of vacuous speeches about trade



"No, no. The Mousetrap has been running longer."

friendship he went back to his hotel and was having a drink in the lounge, where he ran into another truant, Dr. Chi Chao Ting, leader of the Chinese delegation. He turned out to be equally tired of economic pieties, and liked the sound of the expression "nitty-gritty."

## Floating votes

Sir Michael Edwards has every reason to hope for a resounding "yes" to his proposals for streamlining BL not least because of doubts surrounding the number of below paper in circulation. (Voting closes at midday tomorrow.) According to Edwards, BL is optimistic about British industry in general walking up to the possibilities in China: "Most people here are very conservative. They don't realise the Industrial Revolution was a long time ago." West Germany's trade with China is, he points out, treble that of Britain's annual £350m.

Certainly one man is mystified to have been asked to join in the democratic process. J. S. Jones-Robinson, a one-time student trainee who was being seen through a course at London's Imperial College by BL, deliberately, he writes, failed his course. "I was fired by BL in July 1978, so I was surprised to receive the enclosed scraps of paper..." On his estimate

## Courting approval

Far inside the scrublands that surround the futuristic capital of Brazil there lives a community devoted to cultivating recondites of the type popularised in a recent film. According to messages being received there, our extraterrestrial cousins are unhappy with the way things are going on earth: we are, it seems, regarded as unkind, lazy, and backward. In order to curry favour with our future rulers, General Uchoa, a four-star Brazilian staff officer, has built a landing strip considered suitable for all known or imagined models of UFO. A large part of the Brazilian population is right behind him: the country is a hotbed of UFO sightings.

Given such a close relationship with "out there," Brasilia was the logical venue over the weekend for the first International Ufology Congress, which attracted 300 flying saucer experts and others.

I am told the air was thick with curious revelations. Professor Romeo Sanchez, for instance, a member of the Portuguese Centre of Cosmological and Parapsychological Studies, is certain that both the Russians and the U.S. know a great deal about UFOs, and are deliberately keeping mum. "They want to baffle us," insists the professor, "assimilate its secrets, and dominate the world." The UN, he says, should set up a special commission at once "to unveil these mysteries."

Another member of the Portuguese group feels sure one of the mysteries concerns the apparitions of the Virgin Mary

in Fatima in 1917. "The Virgin pilots a spaceship?" demanded one incredulous pressman.

## Timely exit

The move of Spillers' headquarters from its impressive position opposite St. Paul's to darkest New Malden will strike a chord in the breasts of dispersed members of the Location of Offices Bureau, that early victim of the government's quango hunt. Neither LOS nor the recent Dalgate takeover has, apparently, anything to do with it. Spillers' departure from London is a simple question of economics.

Special projects chief Norman Allsopp tells me the rent of £100,000 a year was due to rise to £14m in 1981, making the combined rent and rates bill £22m a year. This is roughly what it will cost, along with redundancy payments, to move

## FINANCIAL TIMES SURVEY

Monday October 29 1979

## European Construction Equipment

The continued decline in construction activity throughout the world is subjecting the equipment suppliers to increasing pressures. Even the big multi-national groups are finding the going hard. As the largest market next to America, Europe presents a confused picture of success and failure.

## Changing patterns of demand

By Hazel Duffy  
Industrial Correspondent

THE EUROPEAN market for construction equipment is estimated to be worth around \$5bn, equal to about a fifth of the total world market (excluding Comecon and China).

It is the second largest market after North America, which takes over 40 per cent of world production. Although relatively stable within the context of its proportion of world demand, the pattern of demand varies considerably from country to country. With a large number of companies at both multi-national and national level, it is also one of the most competitive markets—in which many producers have found it difficult to make any profit over the past few years.

Construction equipment is a category of capital goods which is dependent on a number of factors for its well-being. The most important is the level of activity in the construction industry, which in turn depends to a large extent on the availability of finance in the public sector and the health of the economy in the private sector.

Public sector works have been at a much-reduced level in Europe in the past few years and road-building has suffered in particular. The change in economic factors in Western Europe (notably in the UK), combined with the prospect of a persistent energy shortage, has led governments to abandon some of their ambitious construction schemes, and to concentrate instead on repair, maintenance and improvement of existing structures.

This change of emphasis in construction projects is expected to lead to greater demand for smaller and medium-sized equipment in Europe, to the obvious advantage of those companies which can produce this sort of equipment.

Smaller equipment has tended in any case to be more popular in Europe—hence the proliferation of companies making wheeled loaders, for instance—than on the large new construction projects in the Middle East. American companies which have manufacturing units in Europe also tend to concentrate on smaller equipment, meeting the more limited demand for large machines by shipping them over from the U.S.

The construction equipment

industry in Europe is geared to exporting a large proportion of its output as well as satisfying the needs of the home markets in which they operate. The multinationals often supply the Middle East, Africa and, in some cases, the Far East from their European factories. It is partly for this reason that the industry in Europe is suffering from the fluctuations in demand in other parts of the world, and particularly the effects of the downturn in the Middle East.

The structure of the industry in Europe divides companies into roughly three categories: the multinationals (including Caterpillar, J. I. Case, Clark, Fiat - Allis, International Harvester, Deere), the larger nationally-based companies like Orenstein and Koppel, Volvo BM, Demag, Babcock Construction and many others, followed by the small companies which make perhaps only one or two products for which they have established a small, probably local, market share.

## Casualties

The difficult conditions which have largely prevailed since the collapse of the boom five years ago have brought casualties in all three categories in the past year. At the multinational level, Massey Ferguson is negotiating to sell Hanomag to IBB (Germany), while Ford has been forced into selling most of its Richier assets to Sambro in France. Both companies had taken over these established national manufacturers in the early seventies, but had been

## EXPORTS AND IMPORTS BY LEADING EUROPEAN COUNTRIES IN 1979

(Civil engineering and contractors' plant—\$m)

	Exports	Imports	Balance
West Germany	1,253.8	504.2	749.6
U.K.	1,084.6	424.9	659.7
France	928.3	403.8	524.5
Belgium/Luxembourg	520.6	202.4	318.4
Italy	423.5	215.9	207.6
Sweden	299.5	102.9	196.6
Austria	159.0	94.2	64.8
Netherlands	114.2	197.1	-82.9
Japan	811.9	53.0	758.9

Source: OECD.

unable to avoid losses when the market turned sour.

At the national level, there has been the break-up of Aveling Barford following big losses, and among smaller companies there have been several forced sales. There are many more sellers of construction equipment companies around than there are buyers. And it seems likely that there will be more rationalisation over the next two to three years as market conditions force a reduction in capacity.

European governments are very conscious of the contribution that multinationals make to the engineering industry. In construction equipment they are responsible for probably 50 per cent of output in the main producer countries. But it has been noticeable on Richier that the French Government was willing to get financially involved in order to

ensure that the company fell into European hands. In Germany, too, it is expected that the state of Lower Saxony will provide loan guarantees to help IBB in its takeover of Hanomag.

In the UK, the Government had been at pains for some time to create a British-owned group which was large enough to compete with the multinationals. As a subsidiary of the Government-owned BL (British Leyland) it had been hoped that Aveling Barford would meet this ambition. In the event, AB became too weak to keep itself alive, but there are still hopes that the Acrow/AB deal goes through, this will form the nucleus of a substantial British company.

The U.S.-owned multinationals in Europe derive a huge strength from the

American market, where sales have been buoyant. They also have the advantage, in many cases, of making a large proportion of their own components at locations both in the U.S. and Europe, thus giving them cost advantages over manufacturers who buy from independent sources.

In spite of these advantages, the past year has shown that the multinationals are not having it all their own way. Normally they have found it difficult to take the market lead over the established national companies. Where they have taken over such a company to give immediate entry into a market, the results have been sometimes disastrous, as with Massey Ferguson and Ford. The alternative of setting up independently, which John Deere is now in the process of doing, is expensive and slow. Even in companies which have been established for a long time in Europe, the European subsidiaries have in some cases not received sufficient direction and support from the parent.

The future for the construction equipment industry, as for many others, is uncertain in the wake of the latest energy crisis. As the U.S. goes into recession, the pressure to find other markets will increase. The economics of manufacturing construction equipment demands volume production for those large companies with high overheads, so the natural course is to export when the home market declines.

The competitive edge that has been bestowed on the U.S.

## Dealers

Worldwide sales can only be achieved when companies have extensive and well-financed distribution networks. Most manufacturers sell through independent dealers, but their ability to find good dealers in the first place, particularly in the developing world, depends to a large extent on the range of products with which the dealer can be supplied.

The future for the construction equipment industry, as for many others, is uncertain in the wake of the latest energy crisis. As the U.S. goes into recession, the pressure to find other markets will increase. The economics of manufacturing construction equipment demands volume production for those large companies with high overheads, so the natural course is to export when the home market declines.

This sort of network, which depends on a broad line of products, is out of reach of most European companies. Some companies have tried to set up such networks, at great expense, but

have not been able to maintain them. The dealer in the construction equipment business means much more than the automotive dealer. He does not just sell, he also services the equipment and ensures that parts can be quickly replaced and expensive equipment put back into service.

Construction equipment is continuously being adapted for new functions. Indeed the ingenuity of the industry in responding to these demands is one of its most notable strengths. The success of the rough terrain lift truck, which is being used extensively in farmwork as well as on construction sites, is an example of where new markets can be

CONTINUED ON NEXT PAGE

## Cash in on JD410 Backhoe Loader productivity

High production and the well-known John Deere reliability make the JD410 Backhoe Loader an outstanding buy.

The JD410 is rated at 46 kW (62 net hp) and is available with a choice of two multiposition hoes with digging depths of 4126 mm or 4720 mm (13 ft. 6 in. or 15 ft. 6 in.).

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... features like 2-lever backhoe control; hydraulic direction reverser; planetary final drives with sealed, wet-disk self-adjusting brakes; closed-center hydraulic system for more economical operation; hydrostatic power steering; swing around operator's seat; single-lever loader control.



Loader lift capacity for JD410 is 2268 kg (5000 lb.) at full height.

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## EUROPEAN CONSTRUCTION EQUIPMENT II



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THERE HAS been much talk in the last year or two about the declining competitiveness of American manufacturing industry and about its lack of attention to export markets, even after the decline in the value of the dollar had made export sales more profitable. In some sectors of mechanical engineering where American companies have traditionally been strong, such as machine tools, the U.S. has become a net importer.

Yet if there is an American disease, it has not infected the construction equipment industry. In this sector the U.S. remains overwhelmingly the world's largest exporter. Despite efforts by Japanese and European companies to step up their sales in the U.S., the trade surplus remains huge and consistent. It is true that America's share of world exports has declined in the past 20 years, from 50 per cent to around 35-40 per cent, but this in part reflects the decision by American companies to supply certain overseas markets from factories outside the U.S. These investments have helped to reinforce the dominant position of American companies in the international market.

There are several reasons for the continuing strength of the U.S. construction equipment industry. First, in certain types of equipment, particularly large earth-moving equipment like crawler tractors of over 200 hp, the Americans were the technological leaders, partly because the U.S. market called for such machines much earlier than did Europe and the rest of the

world. This early leadership has been backed up by heavy investment in product development and in manufacturing facilities.

The domestic U.S. market provides the base volume to support this investment; as other markets began to require more productive and more sophisticated equipment, the Americans were able to supply the right machines at an economical price. Although Komatsu of Japan has probably come nearest, it has proved difficult for foreign companies to close the technological gap.

### Lead

Secondly, success in the world construction equipment business depends at least as much on distribution as on the excellence of the product, and here again the Americans have made good use of their early lead. In developing countries especially, the number of distributors who have the organisation and financial strength to handle a full range of construction equipment, and support it with adequate spares and service, is very limited, perhaps no more than two or three. The machines themselves may cost several hundred thousand dollars and the investment in spares may run into several million dollars.

Once a distributor is committed to, say, Caterpillar, it is virtually impossible for one of Cat's rivals to persuade him to switch allegiance. He may, of course, take on franchises for other equipment which Caterpillar does not make, and this provides an opportunity for

	Table 1: SOME LEADING U.S. COMPANIES			
	(1978-\$m)	Sales of construction equipment	Total sales	Principal products
Caterpillar .....	6,163	7,219	Broad line	
Komatsu (Japan) .....	1,975	2,473	Broad line	
J. I. Case* .....	1,279	1,985	Broad line	
Deere .....	858	4,155	Broad line	
International Harvester .....	852	6,664	Broad line	
Fiat-Allis .....	785	785	Broad line	
Ingersoll Rand .....	6847	2,332	Compressors, compacted equipment	
Clark Equipment .....	6367	1,503	Loaders, cranes, scrapers, graders	
Dresser Industries .....	5677	3,054	Compressors, graders, rollers, power shovels	
FMC Corporation .....	4582	2,913	Cranes, excavators	
Massey Ferguson .....	4378	2,926	Broad line	
Koehring .....	383	417	Cranes, excavators, compaction equipment	
Harnischfeger .....	3694	481	Cranes, excavators	
Grove .....	310	310	Mobile cranes	
American Standard .....	309	2,111	Cranes, scrapers, dump trucks	
American Hoist .....	299	212	Dump trucks	
Euclid .....	212	182	Road-making machinery	
Barber-Greene .....	182	430	Cranes, hoists, road-making equipment	
Bucyrus-Erie .....	122	524	Cranes, excavators	

Note: The figures for construction equipment sales are not strictly comparable since companies classify their sales in different ways. One major company not included in the list is General Motors, whose Terex subsidiary, making dump trucks, loaders and other equipment, does not publish separate sales figures.

\* Subsidiary of Tenneco. † Including mining machinery. ‡ Including power transmission products.

§ Including industrial machinery. ¶ Subsidiary of Walter Kidde. || Subsidiary of Daimler-Benz.

### Table 2: CATERPILLAR OUTSIDE THE U.S. IN 1978

	Export sales of U.S.-manufactured products (\$m)	Sales of non-U.S.-manufactured products (\$m)	Total sales (\$m)
Europe .....	412.9	519.6	931.9
Africa, Middle East .....	495.6	370.0	865.6
Canada .....	370.1	51.7	421.8
Latin America .....	503.3	168.1	671.9
Australasia .....	398.7	166.7	565.4
<b>TOTALS</b> .....	<b>2,184.1</b>	<b>1,285.5</b>	<b>3,469.6</b>

Source: Caterpillar annual report.

much international companies, with manufacturing subsidiaries or associates situated in their major markets, particularly in Western Europe and Latin America. Barber-Greene, for example, has a substantial factory in the UK which not only supplies the domestic market but is also used as the source for overseas markets that can more easily be supplied from the UK.

### Network

#### Continued from previous page

A third factor behind the success of the American industry is its strength in depth. This is illustrated in accompanying tables of companies. The list, which is not comprehensive, runs from Caterpillar, a broad-line manufacturer with total sales of over \$7bn a year, to Barber-Greene, the world's largest producer of concrete and asphalt pavers with sales of \$182m a year. Although Caterpillar is far and away the leader, it is kept on its toes by three strong companies battling for second place—J. I. Case (a subsidiary of Tenneco), Deere and International Harvester. All these companies now offer a broad line of equipment and have the financial and technical resources to offer a real challenge to Caterpillar.

Most of the other companies in the list have special points of strength. Clark Equipment is one of the leaders in wheeled loading shovels. Bucyrus-Erie has top position in large, cable-operated excavators and draglines. Grove and Harnischfeger are two of the world's largest manufacturers of mobile cranes. Finally, most of the producers shown in the table are very much international companies, with manufacturing subsidiaries or associates situated in their major markets, particularly in Western Europe and Latin America. Barber-Greene, for example, has a substantial factory in the UK which not only supplies the domestic market but is also used as the source for overseas markets that can more easily be supplied from the UK.

### Changing

The Americans, of course, are not infallible and some of their overseas ventures have gone awry. Ford's failure with Riehle in France—bought in 1972, partially sold this year to Samhron, one of the few major French-owned companies in this business—is one example.

Another is Massey-Ferguson's acquisition of Hanomag in Germany; the German group IRH is now negotiating to buy this company from Massey-Ferguson.

But both these cases involved North American companies moving out of product areas in which they had experience into new sectors of the business. Neither Ford nor Massey-Ferguson had a strong U.S. base in a broad line of construction equipment. It is that base, and the technological and market leadership which they have achieved in their domestic market, that gives the major American companies such a strong international position.

This year should see U.S. exports of around \$4.5bn, slightly ahead of 1978 despite the virtual disappearance of two important markets, Iran and Nigeria. (In the first six months of this year these markets took U.S. exports to the value of \$5.5m and \$7.1m respectively.) Some 22 per cent of the industry's total exports come to Europe (including Eastern Europe). For the leading construction equipment companies of Western Europe the challenge is not so much to push back the American tide but to participate more fully in the U.S. domestic market.

G.O.

Geoffrey Owen

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مكتاب من الأحمد

## EUROPEAN CONSTRUCTION EQUIPMENT III

## Europe's central trade role

WESTERN EUROPE occupies a central position in world construction equipment trade, both as a target for imports (mainly from North America and Japan) and as a base for exporting to the rest of the world. Moreover the European market is to a large extent an integrated market. Tariffs are low and non-tariff barriers, such as preferential purchasing by governments, are much less significant than in sectors like heavy electrical equipment. The three biggest European exporters—West Germany, the UK and France—are also large importers; there is extensive inter-trading through the area, offering ample opportunities for European manufacturers to achieve economies of scale.

Yet those who have taken advantage of the single market are primarily the North American producers. The strength of the American industry and its activities in Europe are discussed in separate articles in this survey. The pattern of trade within Europe, and of exports from Europe, is very much influenced by the sourcing and marketing decisions of the American companies. Thus Caterpillar, for example, supplies the German market with products made in the UK, Belgium, France, Japan and the U.S. This company's European factories are used extensively to supply customers in Africa and the Middle East. In the UK, Caterpillar is by far the largest exporter of construction equipment, while Belgium's prominent place in the business is mainly due to Caterpillar's investments in that country.

## Route

So far few European companies have followed the multi-national route. The outstanding exception is Fiat-Allis, which has factories in Italy, the UK, the U.S. and Brazil. This Italian-controlled company is following the American principle of specialising each factory in one product or line of products for supply to world markets; most of the production of the Fiat-Allis wheeled loader factory at Essendine in Lincolnshire is exported to other parts of Europe and overseas markets.

Three German companies have acquired or are hoping to acquire production facilities in the U.S. — Daimler-Benz (Euclid), Faun-Frisch (Eaton's

construction equipment business) and Mannesmann-Demag, whose bid for Harnischfeger is being examined by the Federal Trade Commission. Within Europe another German company, IBS, which is the subject of a separate article, has acquired a number of companies in Germany, France and the UK, aiming to use the strong position which these companies have established in their domestic markets as the basis for an effective international organisation.

A large part of the European industry, however, still consists of essentially national companies operating from a national manufacturing base. These are companies of widely varying size and range of products—companies like Liebherr, Orenstein and Koppel, and Weyhausen in Germany, Perlini and Fiori in Italy, Sambron, Manitou and Albatre in France, J. C. Bamford in the UK, Volvo BM and Akerman in Sweden.

A perennial question in the construction equipment trade concerns the future of these companies in world markets. Will they have the technical resources to keep up with the multinationals in product development? Will they be able to attract strong dealers? How will they be affected, whether as buyers or sellers, by the rationalisation which appears to be steadily changing the structure of the industry? Whatever the answer to these questions, the smaller national companies will be facing difficult strategic choices over the next few years.

The demand for construction equipment will certainly be there, especially in the developing countries. Most of the types of machinery which these countries need are too sophisticated or too expensive to be made locally; construction equipment will remain largely the preserve of the advanced industrial nations. But competition for the business will remain very keen. Apart from the big North American companies with their global networks of factories, the Japanese are a significant force in the business.

So far the Japanese assault on Europe has not been as spectacular as in some other industries. Their main export effort has been devoted to the Far East, the Middle East and the U.S. — Daimler-Benz (Euclid), Faun-Frisch (Eaton's

largest source of imports) and Mannesmann-Demag, whose bid for Harnischfeger is being examined by the Federal Trade Commission.

Within Europe another German company, IBS, which is the subject of a separate article,

has acquired a number of companies in Germany, France and the UK, aiming to use the strong position which these companies have established in their domestic markets as the basis for an effective international organisation.

For instance, Mitsubishi Heavy Industries, which has a joint company with Caterpillar but also has a sizeable construction equipment business of its own, has revised its agreement with the American company so that it has greater freedom to manufacture machines not included in the Caterpillar-Mitsubishi product line. Japan's

construction equipment busi-

Federal Trade Commission has been investigating another joint venture between Komatsu, the country's largest construction equipment company, and Bucyrus Erie of the U.S. The intention is to eliminate what are thought to be inequitable provisions in the arrangement.

It is clear that Japan is now entirely capable of developing its own technology for construction equipment and a number of companies have done so. It is already a formidable industry. Apart from Komatsu, Caterpillar's closest rival in world markets, and Mitsubishi HI, another company which has been pushing hard into export markets is Hitachi Construction Machinery, a leading manufac-

ture of hydraulic excavators; having concentrated up till now on the Far East and the Middle East, Hitachi has recently been establishing a stronger marketing presence in the U.S. Another diversified group, Furukawa, has a successful construction machinery division whose range includes wheeled loaders, crawler dozers, excavators and other products.

The hydraulic crane specialists, Tadano and Kato, are also well established in international markets. Last year Tadano reported sales of \$168m, of which 28 per cent was outside Japan. It has a European marketing company in the Netherlands, but only 6 per cent of its exports were to

Europe. Most of its overseas sales were to the Middle East (45 per cent), Asia (22 per cent), Africa (20 per cent) and Latin America (7 per cent). This year China is expected to be Tadano's biggest single market.

The Japanese industry is certain to strive for a higher share of the European market, but the gains are likely to be slow and hard-earned. It is in the developing countries which will provide the main battle ground for the world construction equipment industry. Here the Japanese challenge is already strong and likely to get stronger.

Geoffrey Owen

## PRINCIPAL IMPORTERS INTO THE U.S.

	1978 (\$m)	1979 (Jan-June) (\$m)
1 Japan	226.8	131.8
2 Canada	104.0	50.7
3 West Germany	100.2	45.7
4 UK	82.2	40.4
5 Italy	68.7	40.1
6 France	45.7	24.5
7 Belgium	45.2	23.1
8 Sweden	11.0	4.6
9 Mexico	6.5	4.9

Source: U.S. Department of Commerce

export business into the U.S. from Japan, West Germany, the UK and other countries. But the direct exporter needs to have a product which is not only competitive in price and quality but preferably offers something sufficiently special to attract strong distributors.

## Enviable

One example is DJB Engineering of the UK, which is in the enviable position of selling its articulated dump trucks through the Caterpillar dealer network. The U.S. is DJB's most important export market, taking about 40 per cent of total production; some 370 trucks have already been sold there. The DJB truck uses Caterpillar components and fits into the Caterpillar range without competing directly against any established Caterpillar machine.

Babcock has a special problem in the U.S. with Blaw-Knox because this was originally part of an American company of the same name. The American Blaw-Knox, a subsidiary of White Consolidated Industries, remains active in the market, and Babcock cannot sell pavers in the U.S. under the Blaw-Knox name. The Allis takeover represents a first foothold in North America, enabling Babcock to obtain direct experience of American marketing techniques and road-making technology, which differs in a number of respects from that of the UK. Blaw-Knox in the UK exports about 50 per cent of its production; the Canadian deal is part of its strategy to become a major supplier of road-making equipment to world markets.

A local manufacturing base is not of course essential to the European exporter. As the accompanying table shows, there is a substantial direct

A local presence in the U.S. is normally essential as a means of maintaining close contact with dealers and providing them with the support. This has certainly been the experience of Dynapac, the Swedish compaction equipment manufacturer, which set up its own sales subsidiary as early as 1946. This was later expanded into a manufacturing operation, although the U.S. subsidiary continues to sell certain specialised equipment imported from Sweden.

Among British companies, J. C. Bamford has been pushing hard into the American market with its backhoe loaders. Despite strong local competition the JCB name is well established as one of the world's leaders in this product category and this provides a basis on which to promote sales in the U.S.

G.O.

## Pushing into the U.S.

# Ford means Construction Equipment... in any language



**FORD CONSTRUCTION EQUIPMENT. BUILT TO BE RELIED ON**

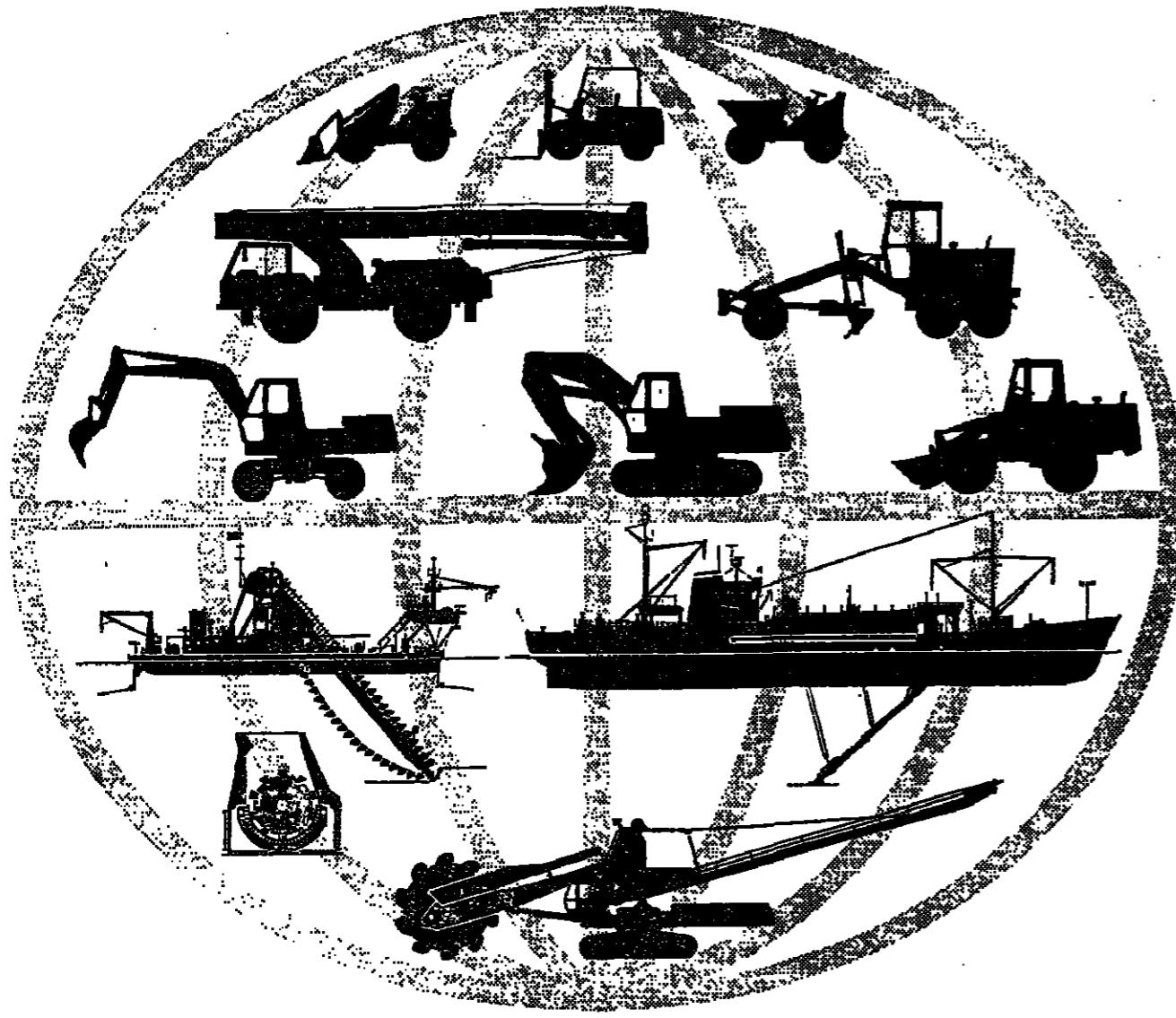


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## EUROPEAN CONSTRUCTION EQUIPMENT IV

## Uphill task for Britain's team



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DEMAND FOR construction equipment in Britain has been very depressed over the past year, and it seems likely that output in 1979 could be as much as 20 per cent down on last year.

In addition to depressed conditions in the home market, the British industry has also found itself at a disadvantage in overseas markets because of the strength of sterling during this period and the impact of high wages and salaries on the cost-competitiveness of British companies. While these factors are of concern to multinationals manufacturing in Britain, they are particularly acute for those British-owned companies which have to operate from the narrower base of a small home market.

Nevertheless, some companies have managed to prosper, in particular those that have been successful in finding new markets for their products. The "shake-out" process which inevitably follows difficult periods of trading has begun in earnest in the UK, and it can be expected that the industry which emerges from this process of rationalisation will put greater emphasis on the ability to compete in international markets.

The most prominent casualty of the slimming-down process this year has been the Aveling Barford group of companies. After a period of consolidation under the ownership of BL (British Leyland), the group had begun to find its feet, and expansion into a worldwide sales operation was under way. But two years ago it began to feel the effects of the growing competition in international markets. Last year the group's losses were as high as £5m.

Earlier this year BL decided to dispose of Aveling Barford. The initial plan was to sell off the group as a whole, but it quickly became clear that this was not possible. In June, BL

announced that it would be closing down the Gainsborough plant of Aveling Barford, where losses of around £7m were a prime factor in the overall malaise of the group. It is possible, however, that the crawler tractor known as the Track Marshall will be taken over by an agricultural equipment manufacturer.

The Aveling group is currently in negotiation with BL with a view to purchasing the Grantham plant of Aveling Barford. If the deal goes through, it will preserve those products - particularly the range of off-highway dump trucks, road rollers and motor graders - for which Aveling Barford is well known. Negotiations are also being conducted with potential purchasers of the other two companies in the Aveling Barford group - Goodwin Barsby (specialising in asphalt plant) and Barfords of Belton (producing a range of dumper, and concrete mixers).

If the Acrow takeover of Aveling Barford is concluded (current indications are that there could be a settlement by December), it will make Acrow the largest British-owned manufacturer of construction equipment, with a turnover in excess of £100m. Its subsidiaries include Coles Cranes, a world leader in mobile cranes, and Priestman, which has a strong position in hydraulic excavators.

Energy exploitation will present a growing challenge in coming years, and many parts of the construction equipment industry will find opportunities here. Open-cast mining, for instance, needs mining shovels, while in the UK there are two manufacturers, Ruston-Bucyrus in Lincoln and Ransomes and Rapier in Ipswich, which can make the giant walking draglines. Another example is the market for cranes presented by offshore oil recovery - Priestman has just completed tests on

a remote control crane which is to be delivered to Conoco for use on an oil production platform in the Murchison field.

Coles, which this year celebrated its centenary, has been the subject of a big investment programme under Acrow ownership, and growth was achieved throughout the 1970s. But increasing competition in the industry, the slowdown in growth markets in the Middle East, and worldwide overcapacity have all combined to put pressure on Coles over the past year.

Over 50 per cent of the industry's sales and exports from Britain is accounted for by multi-national interests. The worldwide sourcing policy of such companies is partly responsible for the growing penetration of imported equipment into the UK, which has grown from 37 per cent of sales in 1971 to over 60 per cent in 1979. Another factor is increasing international specialisation of products.

### Concern

The industry itself, however, expresses some concern in its most recent NEDO sector working party report on the number of hydraulic excavators being imported from Europe, as well as wheeled loaders, which are manufactured by a number of British companies.

Hymac, the leading producer of hydraulic excavators in the UK, is soon to be formally transferred to the German-based IRH group of companies. Powell Duffryn, Hymac's owners, is an engineering group whose only construction equipment outlet was Hymac. The decision to sell it to IRH, which is a rapidly expanding company in construction equipment, seems logical and should present an opportunity for setting Hymac on a growth path.

Production at Hymac has been hampered this year by a strike at its South Wales plant, to be followed by the recent national engineering dispute. The company was loss-making in 1979, and is in urgent need of establishing a more aggressive sales policy.

It will be helped in this by the addition of IRH products to its own distributor network, while Hymac products will also gain access to IRH's extensive European outlets.

The range of equipment that the multi-nationals are able to offer their dealers is undoubtedly one of their main strengths. Yet arguably the most successful British company in the industry is J. C. Bamford, which has built up its solid reputation largely on one product, the excavator loader. JCB sales exceeded £100m last year, and the 1979 target was set at £120m.

But the growing costs of expanding into international markets, which JCB acknowledges is a necessity for long-term survival, could strain the company's finances when it is also committed to a continuous programme of up-dating its products. Recent entry into the US market has been strengthened by JCB's success in signing up a number of Caterpillar distributors, eventually the company intends to assemble there.

Babcock Construction Equipment (part of the Babcock International group of engineering companies) is an amalgamation of companies which have been built up to become one of the largest British-owned construction equipment groups (turnover in 1978 was nearly £50m). Because of its specialisation in certain

areas, particularly pavers and concrete-making equipment, the company has created an international reputation in some products.

Blaw Knox, for instance, which is now quite independent of the American company of the same name, reckons to have around 12 per cent of the world market for pavers. In the past year, Babcock acquired the Canadian paver manufacturer Allatt. The deal will give Babcock a hold in the North American market, while it will also market Allatt in Europe. Blaw Knox is also building up a range of mechanical sweepers for industrial and municipal use.

Winget, with its concrete-making equipment and dumpers, has turnover of around £25m, while Multi-Hill (loading shovels, industrial and agricultural tractors) and Babcock King (high pressure water jetting and blasting) completes the group.

Companies like Babcock, with a fairly broad range of products, are generally better able to cope with recessions than the more narrowly-based. But Babcock, like the rest of the industry, is suffering from competitive pressures and the strength of sterling, and profitability during 1979 is being adversely affected.

But there are other companies which continue to hold on to the little bit of the market which they have carved out for themselves - companies like Bray (part of Matrho) and Weatherill which has a good reputation for service and engineering and survives even in the face of intense competition from the many manufacturers of loading shovels. Another example is DIB Engineering, which assembles a range of articulated trucks from bought-in components, which are complementary to the Caterpillar range and are actually sold through Caterpillar dealers. DIB exports around 90 per cent of its production.

At the same time as the construction equipment industry spends large amounts of money on developing ever more sophisticated equipment, there is also a growing demand for products which can perform a variety of tasks. The rough terrain truck is an example of a product which can be used for a number of applications - construction sites, farms and almost any materials handling task which has to withstand conditions of difficult terrain.

The French have established a prominent position in this equipment, but UK manufacturers, including Bonser (now part of the Kaye Organisation, which includes Lansing Bagnall) and Winget (Babcock), are also active. Coventry Climax entered the market this year, with a product which was an almost complete re-design of the Conveyancer Outlander (Conveyancer is now part of Coventry Climax), and hopes to become a significant UK challenger to Manitou and Surbroom of France.

The outlook for the British construction equipment industry is not good. But there are opportunities, however, for the efficient company both in the UK - where repair and maintenance work takes up some of the slack in new buildings and overseas. North Africa, the Far East and South America can all offer possibilities for British manufacturers, while Europe continues to present probably the best opportunities.

Hazel Duffy

## Dumpers—a UK speciality

well as in dumpers and exports nearly 50 per cent of its production.

On the Continent there is strong competition in concrete mixers from German companies such as Stetter, Arbau and Elba. In dumpers one of the main contenders is Sambron of France, but in volume terms the Italians are probably closest to the UK. One Italian company which has grown rapidly in this field is Fiori. Based in Modena, Fiori is turning out about 1,000 dumpers a year and about 700 mobile concrete mixers. These latter machines have made a considerable impact in the UK market.

Competition from the Italians and others will certainly continue to be keen, but in this sector of the industry, unlike others, the leading British manufacturers do not appear to be at a disadvantage because of their relative smallness. It is a specialist field in which the British companies have good products and good international distribution; there seems no reason why they should not continue to take a very substantial share of the world market.

G.O.

These machines, used extensively on building sites, were a British development and despite growing competition from Continental companies the UK manufacturers have held their lead. Originally based on an agricultural tractor, the machine was conceived as a replacement for the humble wheelbarrow, but it has been steadily developed into a sophisticated building site tool used extensively throughout the world.

Thwaites is probably the biggest manufacturer in the world of these machines, with an output of about 4,000 units a year. The company claims to be the technical innovator in the industry and its line of machines covers a price range from £2,000 to £15,000, from a two-wheel drive machine of three-quarter tonne capacity to the four-wheel-drive machine of five tonnes capacity.

Exports have run as high as 60 per cent of Thwaites' total sales, but with the disappearance of Iran and difficulties in other markets the present figure is closer to 40 per cent. But one of Thwaites' greatest assets is its dominant hold on the German market. It was a classic case of having the right product and the right distributor at the right time. From 1950 onwards, when the reconstruction of the German economy was getting into full swing, Thwaites' German distributor sold some 15,000 dumpers over a 20-year period and put the company in an enviable strong position.

While Thwaites concentrates entirely on dumpers, its UK rivals tend to supplement this product with concrete-mixing machinery and related equipment. Benford, for instance, makes not only dumpers but concrete mixers, batching plant, site forklifts and vibratory rollers. It exports about 50 per cent of its production, with the Middle East as one of the major selling areas.

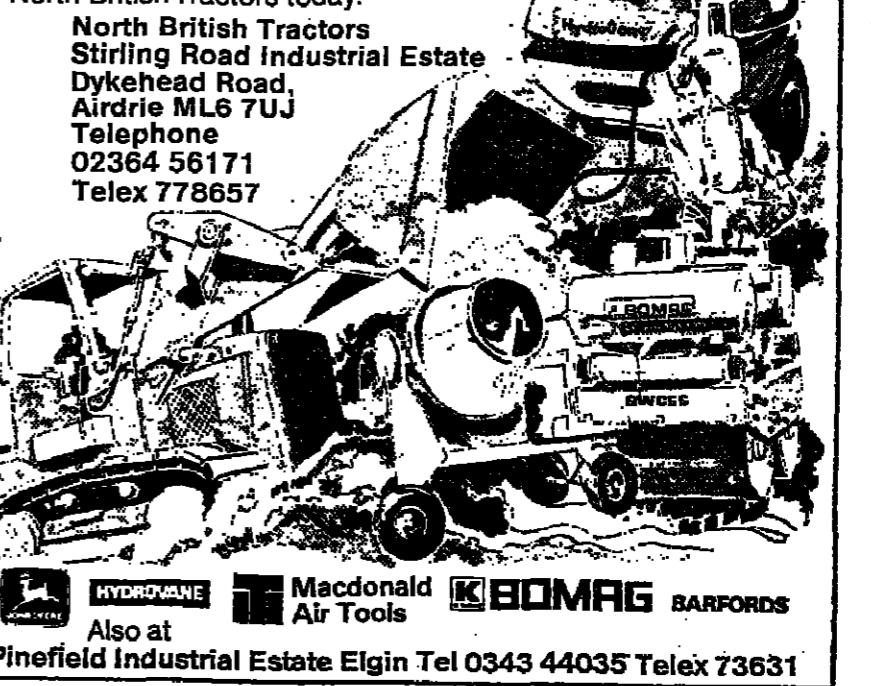
Winget, too, has a leading position in concrete mixers as

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Hydraulics require little maintenance.

Danfoss hydraulic components require little maintenance. All the moving parts are well protected in a permanent oil bath and are manufactured to tolerances of within a few thousandths of a millimetre.

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## EUROPEAN CONSTRUCTION EQUIPMENT V

## French manufacturers more hopeful

THE SENSITIVITY of the construction equipment industry to general government policy has been demonstrated with unmistakable clarity in France during the past five years. In this period the French manufacturers have been encouraged to expand by leaps and bounds, through the celebrated Plan de Relance of Jacques Chirac in 1973, then subjected to severe restrictions by the austerity measures of the prime Minister, M. Raymond Barre. As if exposure to its roller-coaster economic ploys were not enough, they have been inhibited in reducing the labour force during most of this time by the Government's policy of maintaining employment.

There have been signs during the past two or three months that the industry is coming out of this long period of violent ebb and flow. Orders are slowly picking up again, at a rate which could not lead to overstraining the industry's production capacity. But the five-year god has nevertheless given a strikingly different silhouette to the industry. "This is not a demand-led sector," says M. Jean-Pierre Gondran, the head of the national trade body for construction equipment industries, "but it has had to remodel itself radically in the past few years."

The first serious changes began to be felt in 1973, when problems caused by the oil crisis hit an industry which had been running through a boom period. Having weathered these problems, manufacturers were faced with a economic relaunch programme of late 1975. Orders suddenly overflowed, and companies were forced to expand too much for their own good. Just as abruptly in late 1976 the bottom fell out of the market again, and producers were plunged into another bust. Orders dropped by about 20 per cent in 1977, only because clients had been encouraged to order by the aid programme, and were withdrawing from overcapacity.

At the beginning of 1978 the industry started to turn around, and the bottom fell out again. It is not clear exactly what is happening, but it seems that the market is recovering from overcapacity.

expansion and the contraction and left it trapped in the middle. Sales in France, it noted, were down by 40 per cent compared with 1973. Those companies which had managed to struggle through the crisis were being forced by the authorities to hang on to workers while production had declined by 14.3 per cent, the workforce had dropped by only 10 per cent. A significant number of companies had failed to survive, particularly those of small to medium size.

To add to the pressures, exports for the first time for several years had been forced into reverse, falling by 10 per cent because of the general decline in the world market. And prices had suffered from the increasing competition both at home and overseas.

## Pressures

These difficulties have continued into the first half of this year. In the period up to June there were a number of further closures and mergers, reducing the number of companies in the sector by 5 per cent to 244. Compared with the corresponding period last year, the workforce fell by almost the same percentage, to 34,400. This contrasts with a total labour force of 42,000 in 1973. The effect of these pressures on the industry's finances has been unquestionably severe. On a comparable currency basis, turnover fell 4 per cent in the first half of this year compared with last, and is down by 19 per cent compared with 1973.

Since this bill of health was drawn up the situation has shown some improvement. Three main reasons are given for this. First, customers are at last having to replace equipment which is beginning to show signs of age—the average life of these tools is reckoned to be between five and seven years. Secondly, technical advances in the type of equipment used is forcing some companies back into the market in order to remain competitive. Thirdly, the recent Government package of economic measures aimed at stimulating the economy is having its take effect. Some of these will help the market as it feeds through other sectors of the economy.

The performance of the industry, however, continues to be marked by variations between sectors. Manufacturers of mechanical handling equipment, for example, have seen little improvement, whereas producers for the public works industry have experienced a steady upturn. Paradoxically, manufacturers of equipment for the troubled French steel industry (also included in the construction equipment sector in France), are going through a buoyant period at the moment, mainly because of the re-equipment programme following the Government-backed rescue project.

The big problem, he says, is that the blocking of prices up to the time a year or so ago when the Barre Government began to abandon controls has had a serious effect on company finances. Many are now in a position easily to finance the necessary investment. At the same time they have been forced to reduce their technical capacity: design departments have been run down in many companies to such an extent that they could probably not cope with more than a gentle expansion.

But the French industry has nevertheless struggled through the reconstruction of some of its main sectors of interest. The result is that Ford, the hydraulic excavator company, now seems to have been largely reformed, following acquisition of a 40 per cent stake by the Case-Teneco group. The Case worldwide sales network has helped to pull the French company back into profit.

Similarly, both Liebherr and IHC of West Germany have bought companies in France with the idea of investing in French expertise in the salt sector—hydraulic excavators, where France has established a clear lead in Western Europe.

In addition, this sector is going through a further change with the acquisition of Richier's hydraulic excavator interests by Sambron.

France's other strong sectors are in rough-terrain fork-wheel trucks, where it has two major companies, Sambron and Manitou; asphalt applying machines through the Ermont subsidiary of Creusot-Loire; and cranes, where Potain is reckoned to be the world leader in the tower crane sector.

These larger companies have established markets all over the world, with some 40 per cent of their sales going to Western Europe, where Germany is the biggest customer, and most of the rest to North Africa and the Middle East. Clearly, the strength of these foreign markets will play a big part in the ability of the industry to continue its climb back into reasonable health. But even more significant would be signs of a positive long-term reinvestment programme in France.

Up to now Sambron has grown organically. The company

put roughly comparable with elsewhere.

The big problem, he says, is that the blocking of prices up to the time a year or so ago when the Barre Government began to abandon controls has had a serious effect on company finances. Many are now in a position easily to finance the necessary investment. At the same time they have been forced to reduce their technical capacity: design departments have been run down in many companies to such an extent that they could probably not cope with more than a gentle expansion.

But the French industry has nevertheless struggled through the reconstruction of some of its main sectors of interest. The result is that Ford, the hydraulic excavator company, now seems to have been largely reformed, following acquisition of a 40 per cent stake by the Case-Teneco group. The Case worldwide sales network has helped to pull the French company back into profit.

Similarly, both Liebherr and IHC of West Germany have bought companies in France with the idea of investing in French expertise in the salt sector—hydraulic excavators, where France has established a clear lead in Western Europe.

In addition, this sector is going through a further change with the acquisition of Richier's hydraulic excavator interests by Sambron.

France's other strong sectors are in rough-terrain fork-wheel trucks, where it has two major companies, Sambron and Manitou; asphalt applying machines through the Ermont subsidiary of Creusot-Loire; and cranes, where Potain is reckoned to be the world leader in the tower crane sector.

These larger companies have established markets all over the world, with some 40 per cent of their sales going to Western Europe, where Germany is the biggest customer, and most of the rest to North Africa and the Middle East. Clearly, the strength of these foreign markets will play a big part in the ability of the industry to continue its climb back into reasonable health. But even more significant would be signs of a positive long-term reinvestment programme in France.

Up to now Sambron has grown organically. The company

## THE FORD/SAMBON AGREEMENT

Manufactured by

FORD  
180° excavators,  
excavator/loaders  
articulated wheel  
loadersSAMBRON  
road rollers  
concrete mixers  
crushers  
360° hydraulic  
excavatorsFORD  
360° hydraulic  
excavator  
180° excavator  
articulated wheel  
loaders outside FranceSAMBRON  
road roller  
concrete mixer  
crushers  
360° hydraulic  
excavator  
180° excavator  
articulated wheel  
loader inside France

Marketed by

Plants which have gone to Sambron: Sedan Lyon—basically component manufacturing L'Horme, Villeurbanne, and Grenoble.

The Charleville plant, making wheel loaders, 360° hydraulic excavators and certain backhoe and loader components, becomes part of Ford of France.

Similarly, it has also bought the Richier distribution organisation, Rennert, for a symbolic sum. This will be assured of 800 excavator sales over the next three years from a sales deal with Ford.

The other element in the financial package is a medium to long-term loan backed by the French Government for FF 65m (\$16m), which will be combined with loans from a consortium of banks. It is felt that this will give the company a financial base on which to reorganise without running into cash flow problems over a two to three-year period.

Thirdly, Sambron will be aiming to push some of its own management techniques into NIR. The Brittany company has established a reputation for being tightly run, and clearly feels that it will have more success than Ford for operating in France.

Even so, it must be taking a substantial risk in venturing into this new line of business. Richier has a good name in the industry, and a product line which is admired by competitors, even if some claim that it needs reorganising. But the company, bought by Ford in 1972, has clearly lost a lot of ground.

A great deal will therefore depend on skill of the Sambron management team. M. Maurice Sambron, in his early 50s, has now retired from day-to-day running of the company. But he keeps a watchful eye on activities, and is said to have made the decision to take on Richier. Presently, he will continue to keep a benevolent eye on developments.

At the same time Sambron appears to have the financial strength to face up to a re-organisation job. Mainly privately owned, M. Sambron and his family interests have 70 per cent. M. Fourniotski to 20 per cent. M. Fourniotski to 100 per cent. The company has the rest—the company had a turnover last year of FF 187m, some 16 per cent up on 1977. It will not reveal profits, but they are believed to be in the region of 10 per cent of turnover. To have come through the crisis in the industry this successfully argues that the company has a fighting chance of turning Richier around.

Terry Dodsworth

## COMPANY PROFILE:

## SAMBRON

pany came into being in the 1920s, when a Breton farmer began making plough shares and mobile cider presses. After the war, the dumper line was added and caught the market at the time of France's reconstruction programme.

Later it developed into the field of rough-terrain fork-lift trucks, where it has two major companies, Sambron and Manitou; asphalt applying machines through the Ermont subsidiary of Creusot-Loire; and cranes, where Potain is reckoned to be the world leader in the tower crane sector.

These larger companies have

established markets all over the world, with some 40 per cent of their sales going to Western Europe, where Germany is the biggest customer, and most of the rest to North Africa and the Middle East. Clearly, the strength of these foreign markets will play a big part in the ability of the industry to continue its climb back into reasonable health. But even more significant would be signs of a positive long-term reinvestment programme in France.

Up to now Sambron has grown organically. The company

Typically American, to call everybody by his first name. You never really know whom you are dealing with. That's why we thought it's time to tell everybody that POCLAIN, CALSA, DAVID BROWN, LOSENHAUSEN, DAVIS and DROTT are members of the JI CASE family.

The fact that we are all one big family is an advantage to you. It means that you can choose from one of the world's largest and most complete ranges of construction equipment including: crawler loaders, dozers, wheel loaders, backhoe loaders, excavators, cranes, trenchers, compaction equipment and

even a large range of farm tractors. Whether digging a small trench or moving a mountain of coal...the CASE family can do it all.

We also have a complete first class sales network and reliable after-sales service.

CASE's parents are typically American with a turnover of more than 2 billion \$. But CASE is also typically French, Spanish, German and British. Because we also manufacture in Europe. Our European sales have grown from 82 million \$ in '75 to over 400 million \$ in 1979, which means that we are a strong family and here to stay.

So when you need your next piece of equipment, remember our family.

## CASE: The Staying Power

## Sharing the name means sharing a lot of other things too.

Typically American, to call everybody by his first name. You never really know whom you are dealing with. That's why we thought it's time to tell everybody that POCLAIN, CALSA, DAVID BROWN, LOSENHAUSEN, DAVIS and DROTT are members of the JI CASE family.

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## EUROPEAN CONSTRUCTION EQUIPMENT VI



Two products of Germany's Faun Frisch group. Above: F185C grader  
Below: K40.4 dump truck

# Germany's OPEC customers

THE GERMAN construction equipment industry is going through a process of structural change — the latest development is the proposed sale of Hanomag to IBB — just as domestic demand has reached the crest of a wave. The Economics Ministry in Bonn has revised upwards its estimate of real GNP growth this year, from 4 per cent to 4.5 per cent. While everyone expects a slower pace in 1980, official forecasts hover around 3 per cent, which is hardly a recession.

The impact in construction plants is evident from statistics compiled by the technical committee on construction and construction materials machinery of the Association of German Machinery Manufacturers (VDMA). According to these, production of construction machinery in the first half of this year was up 13.6 per cent in real terms, compared with the corresponding period a year ago and following a 6.8 per cent advance in 1978.

That the gain was due almost exclusively to domestic demand is clear from export figures. Industry exports in the first

four months of this year were off 1 per cent, following a decline of 14 per cent in 1978. Imports meanwhile were up 13.8 per cent in real terms in the January-April period, following a 6.5 per cent surge last year, supplying further evidence of the strong domestic demand.

The industry's association believes that the sharp rise in property prices, the expiration of medium-term government spending programmes, and the oil price increases are bound to bring a decline in domestic demand. This decrease, it is thought, will probably be felt in the second half of this year. Thus, despite the strong first half showing, the industry expects production for the whole of 1979 to grow by 5 per cent.

The other factor, of course, is exports. The technical committee conceded in its September report that exports are about to stage a recovery. The export ratio slipped to just under 65 per cent last year following the 1976-77 peak of 72.5 per cent.

The wild card is OPEC business. The German capital goods

industry as a whole found itself a happy beneficiary of petro-dollars recycling following the 1973 oil shock. The benefit has been year's escalation is bound to be smaller — the increases in oil prices themselves are smaller in real terms, many of the big Middle East projects have been completed and the OPEC countries themselves are planning on a longer-range, more rational basis. But the German industry is already looking in the closing months of this year for a new export impulse from the oil exporters.

The key question is how far the strength of the Deutsche Mark will affect the competitiveness of German manufacturers. Like its counterpart in the U.S., the German industry has strength in depth, as the accompanying table indicates, and it has the further advantage of substantial investments by American companies. But some of these foreign investors have been finding the going difficult in the past year or so; the attractiveness of Germany as a base for supplying world markets seems to have diminished.

Darrell Delamaide

## SOME MAJOR GERMAN COMPANIES

Liebherr — Cranes, hydraulic excavators, crawler dozers, etc.

Orenstein and Koppel — Hydraulic excavators, cranes, grader, dumpers, etc.

Demag — Cranes, excavators, compaction equipment, compressors.

Weyhausen — Hydraulic excavators, loaders, etc.

Faun-Frisch — Dump trucks, crane carriers, wheel loaders, grader, hydraulic excavators.

IBH — Wheeled loaders, compaction equipment, compressors, excavators.

Gottwald — Cranes.

Kaelble — Dump trucks, loaders, compactors.

Vogele — Concrete and asphalt pavers.

ABG — Compaction equipment, concrete and asphalt pavers.

## SOME U.S. INVESTMENTS IN GERMANY

Deere — Manheim (crawler loaders and dozers).

International Harvester — Heidelberg (crawler loaders).

Tenneco-CASE — Dusseldorf (compaction equipment).

Koehring — Boppar/Rhein (Bomag compaction equipment).

Harmischfeger — Dortmund (cranes).

## Group's long pedigree

### COMPANY PROFILE:

#### O and K

EVEN IN an industry accustomed to thinking big, the arrival of a machine with a claim to be the largest and most powerful of its kind in the world is bound to cause more than a ripple of interest.

So it was a few days ago when Orenstein and Koppel (O and K), the West German engineering and shipbuilding group, unveiled the latest addition to its range of equipment for the construction and mining sectors; a giant hydraulic shovel whose impressive vital statistics include a service weight of 490 tonnes, engine output of 1,750kW (2,352 hp) and shovel capacity of up to 30 cubic metres.

The machine, the RH 300, is designed to meet the growing demand for raw materials mined from greater depths than have previously been considered profitable to exploit. Its debut also signals a bid by O and K to break the dominance of the largely U.S.-made electric mining shovel. The first RH 300 will go to a UK customer, NSM of Sheffield, and will be put to work in a few weeks at an open-cast mine in Derbyshire.

The RH 300's pedigree stretches back more than a century to 1876 when Bemmo Orenstein and Arthur Koppel founded a company in Berlin to devise faster and cheaper methods of moving rocks and earth from mines and construction sites. The company had to start again almost from scratch from the ruins of World War II but, aided by some judicious acquisitions, it has since expanded steadily into a leading force in its field.

It now has a share capital of DM 72m, with half the shares being held by Estel, the Dutch-German steel concern and 25 per cent by a consortium of banks. By 1976 sales had reached some DM 1.3bn and in recent years exports have accounted for about 40 per cent of its business.

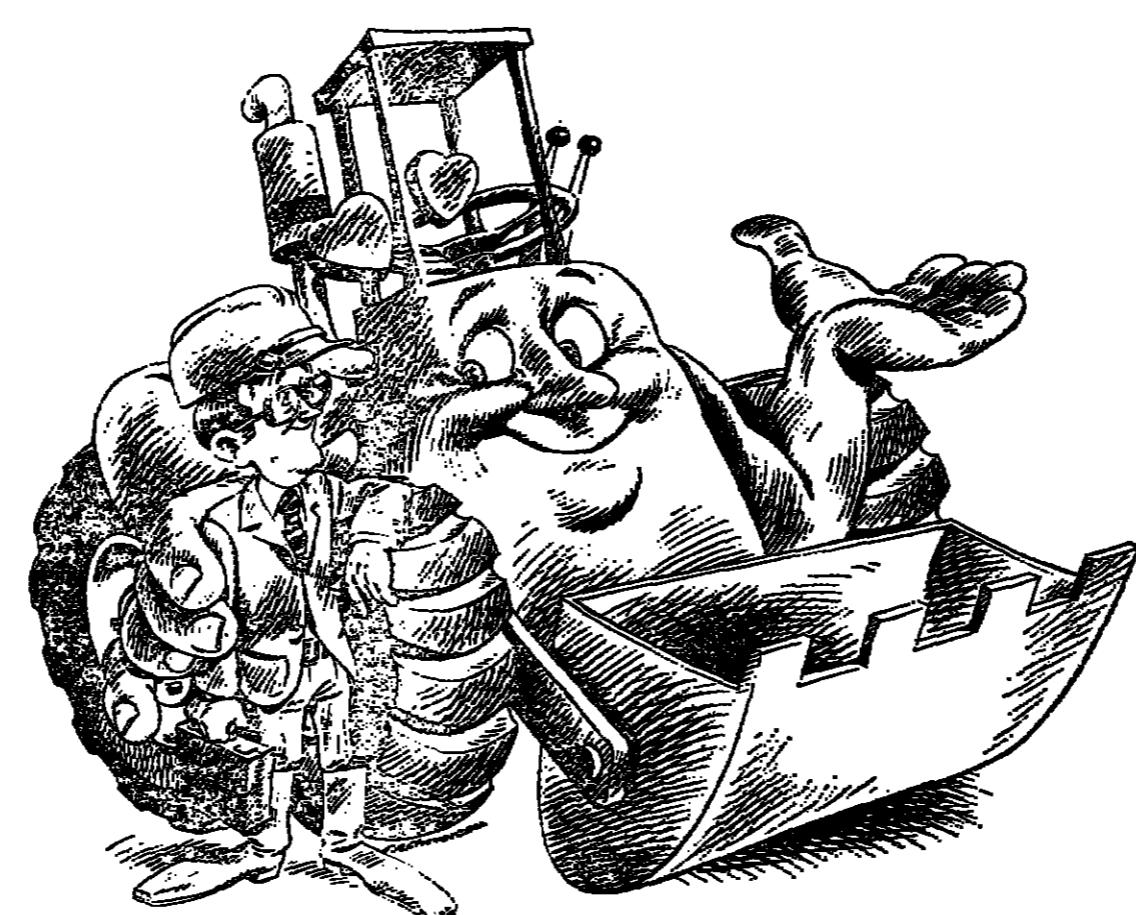
#### Blamed

It suffered a setback last year when exports as a proportion of total turnover fell dramatically to 43 per cent from 62 per cent in 1977, which the group blamed on the poor investment climate in the West, the strength of the Deutsche Mark against the dollar, protectionism in some importing countries and high domestic labour costs. This year, however, it confidently expects to meet the 50 per cent target which the supervisory board has set the management board.

O & K now has six manufacturing centres in Germany, two in the UK and one in Canada and a worldwide labour force of some 11,000. In Germany its output is marketed through 26 branches and in the rest of Europe and overseas by 13 subsidiaries and more than 200 distributors serving customers in all five continents.

In 1973 the group set up in the UK its first manufacturing base outside Germany for many years with a factory in Keighley, Yorkshire, making escalators and autoclaves for airports, stations and shopping centres. More recently it acquired United Lifts, also at Keighley, where it makes passenger and goods lifts. The spearhead of the group's attack on the American excavator market is being made from its Canadian factory at Dundas, near Ontario, which it acquired five years ago. It only re-entered this market seriously in 1976 with a decision to operate through large, well-established distributors in each State rather than attempt the costly and risky business of

# Fiat-Allis challenges big competitors to keep customers happy.



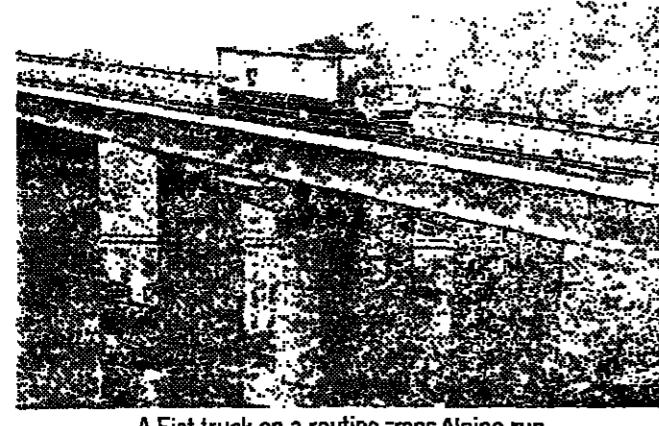
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July, 1979

## EUROPEAN CONSTRUCTION EQUIPMENT VII

## American groups meet with setbacks

NORTH AMERICAN companies occupy an important slot in the European construction equipment market, but with the exception of Caterpillar they have not found the going easy. The tough conditions of the past year, when demand has been very weak and competition therefore all the stronger, has finally led to two of the major groups—Massey Ferguson and Ford—to implement their own sales.

The difficulties that these two companies have faced serve to highlight some of the basic weaknesses that the multi-nationals have displayed in Europe. Both groups bought established companies in the construction equipment field, Massey Ferguson buying Hanomag, the German group, and Ford buying Richier in France. They were both acquired in the early 1970s, when the industry was enjoying a high level of demand; in each case, it was assumed that the construction equipment business could be an extension to their agricultural equipment interests.

In engineering terms there are obvious similarities. But in marketing the two types of product are quite different, as Massey Ferguson found to its cost. Both Richier and Hanomag went into deep losses when their collapsed, and neither has managed to come out of that situation. Ford made a provision of \$170m in its last accounts gains the possibility of withdrawing from construction equipment in Europe, while Massey Ferguson made a provision of \$48m.

In the last month both companies have announced their solutions to the construction equipment problems. Massey Ferguson is selling Hanomag to a German IBH group of companies for a sum equivalent to its asset value (about \$17m). The Canadian-based international group will continue to be the industrial equipment—only backhoe loaders—at

## Unique

Ford meanwhile has reached a solution which appears to be unique in the history of North American companies in Europe. It will stay in construction equipment, which is part of Ford Tractor Operations Europe, based in Brussels. At the same time, it has sold most of the assets of Richier for a nominal sum to Sambron, the French company which is known in particular for its rough terrain lift truck. This arrangement will, Ford believes, improve its marketing of construction equipment in Europe, particularly for the hydraulic excavator, which is the problem product.

The Ford agreement emphasises that a multi-national cannot easily just pull out of commitments. In the case of Massey Ferguson there was probably little choice. But Ford was very aware of the damage

factories in the UK.) The sale comes more than a year after Massey Ferguson put it on the market. During this time, the losses have been reduced, but the financial problems at Massey Ferguson as a whole have forced it to identify the areas on which it must concentrate if it is to survive, and construction equipment—which has proved a very costly venture—does not fit into this list of priorities.

The traumatic experiences of Ford and Massey Ferguson demonstrate that buying into an established European Company is not necessarily the model for success. J. L. Case, however, has found that its partnership with Poclain has not been in the same case—although the hydraulic excavator (Poclain's major product) faces a lot of competition in Europe. Case is the second largest North American company in Europe, after Caterpillar. Apart from Poclain, it also has an important market in Europe for its own products.

In the U.S., Case is market leader with its backhoe loaders, and is pushing hard with the product in Europe, which it makes in France. Case also has factories in Leeds, Saragozza and Dusseldorf, and plans to build a new factory in the UK. The product to be made in this factory in Cornwall has not yet been revealed, but it could involve some restructuring of Case's European manufacturing operations. The chairman and chief executive of J. L. Case (which is part of the Tenneco corporation) resigned a couple of weeks ago over what were

John Deere, the huge farm

described as "differences in management philosophy" but it is not yet clear whether this will lead to any changes in the European operation.

International Harvester is one of four or five companies in construction equipment which cluster around the third place in the world league (after Caterpillar and Komatsu). Like the other North American multi-nationals to succeed at the No. 2 spot worldwide, its approach has been to bring out products only after careful development programmes have been completed, and to take the more painstaking route of setting up in each market on its own rather than taking over existing companies.

## Aggressive

Europe has not proved very successful for Deere so far. Construction equipment sales in Europe are not profitable. A more aggressive marketing approach has been adopted in Europe, however, and Deere expects to see the results coming through before very long. The whole IH group has come through a period of re-organisation and it now remains to be seen whether it will be able to consolidate the benefits of the recent turnaround. IH is very committed to overseas expansion, in the Far East and South America as well as Europe, and aims to achieve a 50/50 split between home and overseas within a fairly short time.

Backed by success in the North American market, Deere is

likely to achieve its target position worldwide before too long.

Most of the multi-nationals manufacture volume products in Europe, while bringing in their large equipment from the U.S. In spite of the competitive boost that the declining dollar has brought to manufacture in the UK, France and Germany, mainly in small to medium-sized equipment. The whole marketing organisation has been overhauled over the past couple of years, and a lot of attention is being given to making up on these product areas where IH is weaker.

Clark is best known in Europe for its wheeled loaders, which are made at its Strasbourg factory, along with dozers. The top of this range, however, comes from the U.S., as do scrapers and graders. In Europe, a new headquarters in Strasbourg is due to be completed next year, which will centralise engineering, manufacturing and marketing for the European division.

Clark firmly believes that the intense competition in the market will lessen over the next five years.

The wheeled loader, in which Clark was one of the originators, is subject to particularly acute competition because of the large number of companies, both multi-national and locally based, which are making this product.

Clark Equipment sees its

future very much with the loader and tractor shovel. Other American companies also tend to specialise in Europe, including Terex, which makes off-highway equipment, distributing throughout Blackwood Hodge. Another example is Ruston-Bucyrus, which makes a wide range of cranes, mining shovels and more recently entered the hydraulic excavator business.

Ruston-Bucyrus is owned by Bucyrus-Erie, the American company, and GEC.

Its history is rather different from the other multi-nationals as this was an established company before the Americans took an interest in it more than 40 years ago.

The excavator market is obviously proving an enormous challenge, but Ruston-Bucyrus—which sells direct to its customers—believes that it has a product which will emerge as one of the winners in this difficult market.

Caterpillar, the world's largest construction equipment manufacturer, continues to dispel all the gloom that has surrounded this industry for the past few years. Its latest results show a 19 per cent sales increase in the first nine months to \$6.29bn. It is often said about Caterpillar that its pro-

H.D.

## SHARES OF WORLD EXPORTS

U.S.	Excavating and levelling machinery—per cent)							
	1970	1971	1972	1973	1974	1975	1976	1977
West Germany	37.2	35.7	36.4	34.5	36.1	39.3	39.4	33.5
Britain	11.7	12.8	12.3	14.7	12.8	10.5	12.1	12.7
France	12.5	12.8	10.9	9.5	9.6	9.2	9.4	10.5
Japan	10.0	9.6	10.6	12.1	11.6	10.2	9.9	8.6
Italy	6.7	5.7	5.5	6.0	7.9	8.1	7.6	7.7
Belgium/Luxembourg	5.3	5.8	5.4	4.2	4.4	4.0	3.4	3.6
Canada	4.1	4.1	4.6	4.6	4.2	5.0	4.6	5.2
Sweden	3.0	3.0	1.9	1.9	2.3	3.3	2.8	3.9
Austria	2.2	2.0	2.2	2.0	1.7	1.9	na	na
	1.3	1.5	2.0	1.8	1.5	1.5	1.6	

Source: UN Yearbook of International Trade Statistics.

## A new challenger

## COMPANY PROFILE:

IBH

DRST DIETER ESCH has emerged as one of the brightest stars in European construction equipment. At 36, he has managed to build up a group of companies in only five years which will have a turnover of more than DM 1bn when his test deal is completed. Through still lagging well behind the U.S.-owned multinationals and Japan's Komatsu, begins to give him the sort of size which he thinks is essential if Europe is not to be dominated by foreign construction equipment manufacturers. Esch's achievement in putting together IBH has been in fitting what Governments and bureaucrats dream about. He has taken over ailing companies and given them a new lease of life, and he has done it with only minimal help from public funds. His recipe for success is as startlingly simple that one wonders why nobody else has had the courage to enter the industry to do it before. In 1975, having gained some experience in the marketing of construction equipment by working for Blackwood Hodge, he managed to put together a sum of \$500,000 through the proceeds of some money he had lined from investing in Blackwood Hodge shares and by convincing Builma Investment, Swiss concern, that it should put some money into his future.

Esch's philosophy is simple. The companies retain their independence under IBH as a holding company. He aims to increase volume production and cut down on overheads. The pattern in his takeovers is to reduce the proportion of white-collar workers to production workers. Frequently this has involved a change of senior management. Esch does not believe in palatial head offices, or big marketing sprees. If the product is right and the costs of manufacture are right, and the

distribution network is good, then he is on to something.

Distribution and market share are all important. Esch negotiated to take over Hymac in the UK, for example, because it fitted the bill on both considerations. Hymac was the leading producer of the hydraulic excavator for the British market, and it has an excellent distribution system. The problem was that Hymac was selling a limited range of products. Now it will sell the products of other IBH companies, and the IBH dealer network (independent unlike that of Hymac) will sell Hymac products on the Continent.

## Injection

Esch will have paid £5m for Hymac when he takes it over on January 1. A separate deal also gave IBH a useful injection of cash when Powell Duffryn, the owners of Hymac, took a 24.9 per cent stake in IBH for £6m. Powell Duffryn said it did this because it wanted to retain a stake in construction equipment and it believes IBH is the ideal vehicle.

When Esch decides he wants to buy a company, he likes to take a good look at it before he signs over the money. He does this, he says, so that he can make a full assessment of the books from the inside. But he certainly moves fast. Before he has even formally taken over, he has announced that he is negotiating to buy Hanomag from Massey Ferguson.

Hanomag was bought by Massey Ferguson in 1974. Last year it led to a provision of \$40m being made in MF's accounts. This year, the losses

have been cut back to around \$10m. The acquisition of Hanomag almost doubles IBH's turnover, but can Esch succeed in making it profitable? He believes MF was well on the road to turning it round and he just needs to follow this through. He will cut out the number of components made by Hanomag, and buy these in from outside as other companies in the group do.

In order to finance the Hanomag deal, for which he is paying nearly \$17m, Esch has arranged an equity increase and a package of loans. He now owns 25.1 per cent of the equity. Builma Investments holds the same, as do two German businessmen, while Powell Duffryn has 24.7 per cent.

Esch may not spend large sums of money on marketing extravagances, but he knows all about it. He combines this with a direct approach to employees. He faces pickets at one factory in France when he took it over, and a threatened strike at Hymac.

The next couple of years will provide the biggest test for the Esch experiment. In time, he says, IBH will have to go into the U.S. market if it is to become the fully fledged international group which is his ambition. But before that he has a lot to achieve in Europe. He intends to concentrate on small to medium-sized equipment, leaving the larger machines to the Americans and Japanese. But there are still important gaps in the IBH range, graders and dump trucks are examples. Another takeover would not come as a total surprise.

H.D.

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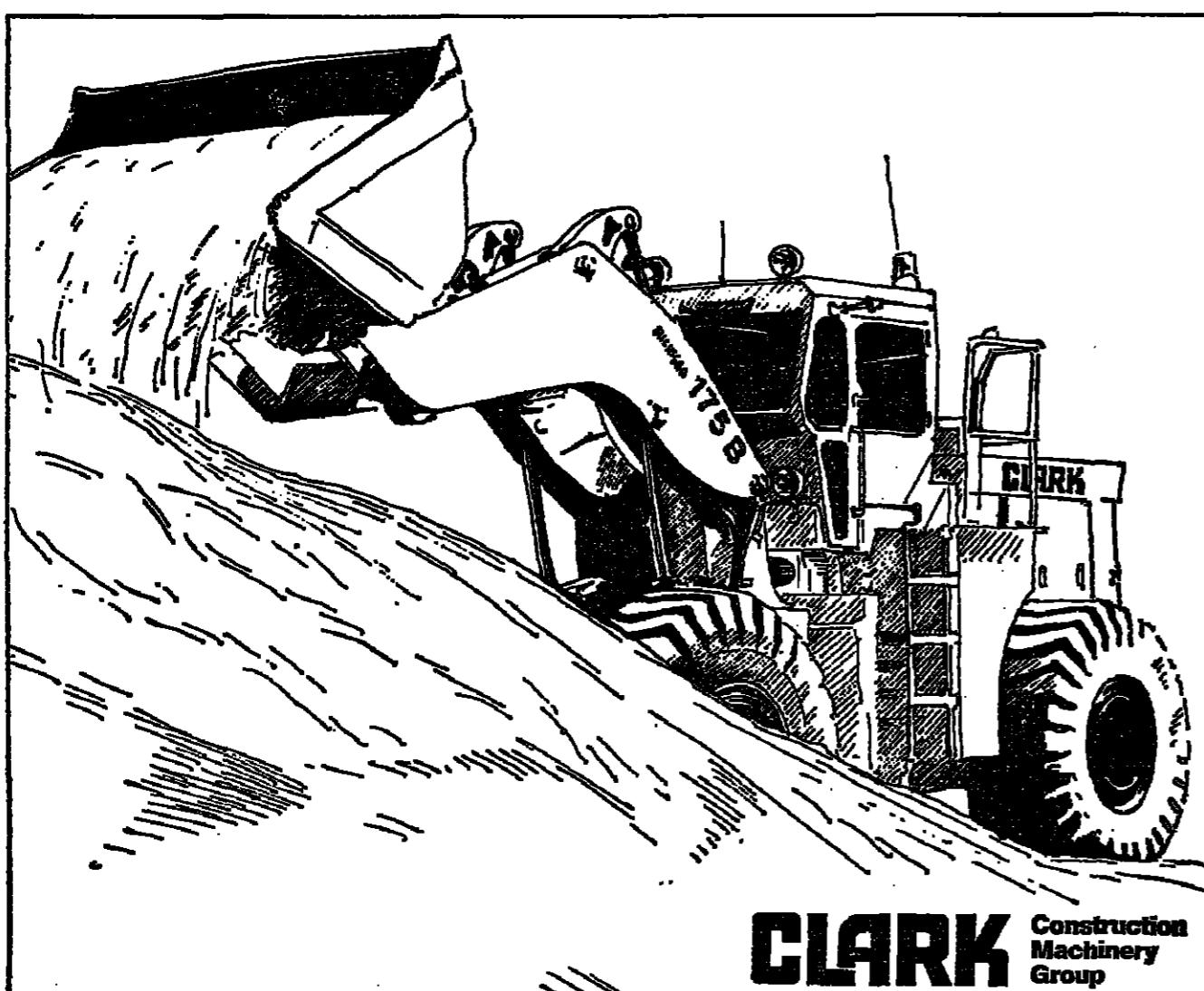
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CLARK Construction Machinery Group

## EUROPEAN CONSTRUCTION EQUIPMENT VIII

# Dealership relations

THE RELATIONSHIP between a construction equipment manufacturer and a distributor is very close and usually long-lasting. While this is to an extent true of the passenger car market, the industrial and building plant sector generally demands a higher level of mutual co-existence because the dealer is usually selling to far fewer customers and in several cases acts as the producer's sole representative in one country.

As one manufacturer puts it: "Very often when our representative and our distributor go to see a prospective client, he does not know which is which, we are that close."

But while these ties are often tightly drawn, financial assistance to the distributor is somewhat exceptional. The manufacturer will sometimes extend credit but in the main it is looking for a sales organisation capable of standing on its own feet and willing and able to partake in expansionary drives.

Although the volume car producers delineate their dealerships in miles, construction equipment franchises are often broken up only by frontiers. Caterpillar, for example, uses only one distributor for the whole of France and another for West Germany.

In the UK, however, the group has four dealerships; Leverton of Windsor, the Unilever offshoot which covers Eastern and Northern England; Bowmaker Plant of Cannock, spread over the West and South-West; Caledonian Tractor and Equipment of Glasgow and McCormick MacNaughton which distributes through Ireland and Northern Ireland. The manufacturer has 300 dealerships throughout the world which operate 900 outlets altogether and in each case the principal is looking for continuity.

It is probably no more than coincidence at this stage that Bowmaker, through C. T. Bowring, and Caledonian, through Lloyds and Scottish, are owned by major financial groups but, as Caterpillar stresses, plant dealerships are a multi-million pound business. Some individual items of equipment, as the group points out, can cost around £500 000.

The U.S. market has been dominated by individual or family concerns but as the capital cost of equipment rises, more and more North American enterprises have been seeking

equity injections. In this country, Caterpillar observes, there has been little change of ownership and the producer rarely seeks to appoint a new distributor.

Occasionally, however, a dealer will be acquired by a group with other construction equipment production interests and in such cases Caterpillar will look for a new dealer. In these circumstances a newcomer will buy out the traditional dealer and the vendor will often find that this is more rewarding than an open market sale.

With Caterpillar and other multinationals, International Harvester accounts for around 50 per cent of UK construction equipment output and its dealer network in this country is broadly similar. Harvester uses three British distributors—Saville, Cripps and Bowen to give a national spread, although there are other smaller outlets for industrial tractors and to supply the desired level of commitment to the new market.

In West Germany, by contrast, Harvester has just one dealer. This is partly historical, for the manufacturing base in the Federal Republic is more concentrated than anywhere else in Europe or the Middle East.

In the UK, France and West

Germany the network is run by affiliate companies and Harvester's share of the local market is generally higher than in other countries. But the group is now about to approach its independent dealers with a fresh marketing drive.

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With Caterpillar and other

Caterpillar, for instance, employs 14 experts in Stuttgart to give advice on parts and servicing to the UK distributorships.

Hewden-Stuart, on the other side of the fence, works closely with manufacturers and is nearly always consulted when a new product is about to be launched by one of its suppliers. "Sometimes," says Hewden managing director Mr. Matthew Goodwin, "we know more about the product in the field than the manufacturer."

The Scottish distributor is perhaps best known as a plant hire group but it operates a thriving marketing division which has recently been wholly divorced from the hire operation.

JCB is Hewden's oldest and largest dealership with sole franchises for Scotland centred on Glasgow and for the North West of England from the base in Manchester, giving the dealer around 40 per cent of JCB's UK sales.

Other important licences take in Consolidated Pneumatic Tools and Magirus-Deutz trucks, Bomag in London and Duomat in Scotland.

The dealer will in certain instances receive credit from a manufacturer and will often make payment after delivery. There are few if any volume discounts for performance given by the big suppliers, although incentives are sometimes given on smaller ranges. In return Hewden carries a stock level above the manufacturer's minimum requirements. Mr. Goodwin

Given the reputation a dealer must build and maintain among other manufacturers and the high level of inventories it will usually carry, this selectivity is quite natural. Hewden looks to the volume sales that a market leader can achieve but realises that the potential areas of product conflict impose fairly stringent limits to expansion.

Hewden would normally look for an exclusive franchise in Scotland or in any other major population belt but the constraints are far tighter than in the motor trade. The links which Hewden and other major dealers have established with the prominent manufacturers are well established, but while it will take more than a recession and an attack from import competition to break them it would be surprising if the specialist nature of the industry permitted sudden substantial changes in the formalised dealership structure. Like the manufacturers themselves the strong will probably become stronger.

Ray Maughan

## Sweden's contenders

### COMPANY PROFILES

#### VOLVO and DYNAPAC

VOLVO BM, part of the Volvo group, and Dynapac, a subsidiary of Euro, are two of Sweden's leading construction equipment manufacturers, but operating in very different sectors of the market and, in recent years with very different financial results. Volvo BM's main strength is in wheeled loaders, where it has a major share of the European market, and in articulated dump trucks, where again it is one of Europe's largest producers. The range, which includes road graders and excavators, is limited and it is a part of the market where Volvo is up against strong competition from Caterpillar and the other leading North American companies. These companies compete effectively in Volvo's product range, yet have a much broader range of construction machinery to offer dealers.

Dynapac, by contrast, has specialised in a sector of the market which is less vulnerable to competition from the broad-line North American companies. This is the manufacturer of vibratory compaction equipment, used in a variety of applications from large airfield projects and dam construction to road building and street repairs. There are, of course, plenty of competitors in this business and two of the strongest are American-owned—Bomag, which, though based in Germany, is owned by Koehring and Ingersoll-Rand. But the market for compaction equipment has remained largely the preserve of the specialist (Stothert and Pitt is one of the leading British companies) and it has not attracted the attention of the giants.

The small independent specialist does have some important marketing advantages compared to the big, broad-line supplier. His sales and service representatives are experts in their narrow field; they do not have to spread their knowledge and attention over a large number of products. The manufacturer himself can concentrate on being outstandingly good at one thing. Because the company is small, its senior managers can have close personal relationships with their dealers; negotiating with a large corporate bureaucracy is not so congenial. They can usually react more quickly to changes in customer requirements. They depend on the dealers, but because he handles a variety of other companies' products, they do not dominate him.

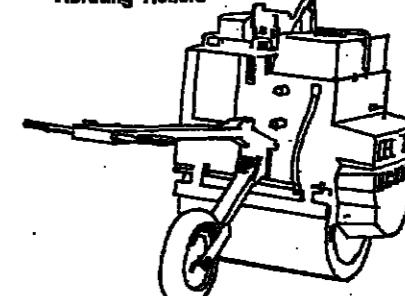
Because the machinery needed on a building site or in a big civil engineering project is so diverse, there will always be room for the small manufacturer, producing equipment which is too specialised or too small in volume to interest the giants. For a good many European companies, of which Dynapac is an example, specialisation is the one of the keys to success in world markets.



Dynapac CA 51S vibratory roller for heavy daily compaction work on dams, roads and airfields

### TEN YEARS OF TECHNICAL LEADERSHIP

\*1969 — First with Hydrostatic Non-operator Vibrating Rollers



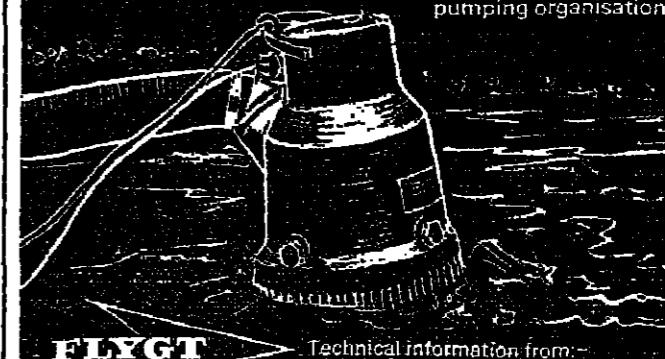
\*1979 — First with All-hydraulic Vibrating Rollers — The CEL710H

C.E.L. Construction Equipment,  
Milles Road, Warwick, England.  
Telephone 0926-44331 Telex 31451  
\*A NEWMAN INDUSTRIES COMPANY

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# Spectre of UK energy gap

BY RAY DAFTER AND DAVID FISHLOCK

WITHIN a matter of months, the UK will be producing more fuel—oil, natural gas and coal—than it consumes. It will be the envy of industrialised nations throughout the world. But behind this comfortable picture lies a disturbing energy trend which could pose serious economic problems towards the end of the century.

It is a trend, diagnosed by planners in the Department of Energy, which will be given a full airing at the lengthy hearings beginning tomorrow into the National Coal Board's proposal to develop the Belvoir field in North East Leicestershire.

A new assessment of Britain's energy prospects indicates that the need for fuel imports could rise again in the late 1980s, or early 1990s at best. By the turn of the century imports could be running at between 15m and 120m tonnes of coal equivalent (mtece). Assuming that oil prices continue to rise in real terms those imports could cost between £2.5bn and £3.5bn annually in today's money values.

The spread of the Department's estimates reflect the uncertainty surrounding economic growth, the success of conservation programmes and the drive to maintain output of indigenous fuels. However, the general tone of the estimates must worry the Government for it is far more pessimistic than the forecasts contained in the last energy policy "Green Paper," published only 20 months ago.

That consultative document showed that in the year 2000 the UK energy demand might be between 450 and 580 mtece, again depending on the rate of economic activity in the intervening years. The supply of home-produced energy (including nuclear power and hydro-electricity and a small amount of renewable energy) was put at 475 to 515 mtece. On this basis Britain seemed to have at least

a sporting chance of remaining self-sufficient in energy until at least the turn of the century.

The latest departmental energy projections paint a far different picture, although rather surprisingly they have attracted very little public or political comment. The figures should be taken seriously because they indicate that in 2000 AD demand could be 445 to 510 mtece whereas indigenous production will be no more than 390-410 mtece. The prospects for energy self-sufficiency being maintained for the next two decades have seemingly disappeared altogether.

## No one reason

There is no single reason for this worsening trend; it is more a combination of factors involving each of the energy sources. This could make it particularly difficult for the Government to take corrective action.

On the supply side of the equation, the slower-than-expected build-up in coal production is causing considerable concern among energy planners. It was thought last year that output in 2000 AD might be about 170m tonnes; now it is expected to be no more than 137m to 155m tonnes, in spite of the plan for a coal development programme costing between £4bn and £5bn.

The National Coal Board is not merely faced with the problem of increasing output from the current annual level of about 110m tonnes. It has to transform the industry from one with roots in the 19th century to one fit for the 21st. It also has to compensate for declining production from older pits.

Mr. John Mills, NCB's Board member of production, pointed to some of the industry's frustrations earlier this month. Writing in Coal and Energy Quarterly, the board's review, Mr. Mills said that environmentalists and other pressure groups had delayed full produc-

tion at the new coalfields of Selby and Belvoir by several years with a consequent loss of tens of millions of tons of coal production.

"For such a bright prospect to be hampered by conservationists and environmentalists is folly beyond belief and a great disservice to Britain. Britain cannot afford such costly delaying efforts," he argued.

The Energy Department has also taken a more conservative view about the level of domestic crude oil production at the turn of the century, not due to any environmentalist pressure but simply because there appears to be less to exploit than previous estimates had indicated. Three years ago the Department estimated that the amount of oil to be exploited in the UK Continental shelf might be in the region of 2 to 4.5bn tonnes. The 1978 "Brown Book" of oilfield statistics added that eventually the reserves might prove to be even greater.

The latest estimates, backed by more geological information, suggest that ultimately recoverable reserves should fall in the range of 2.4 to 4.6bn tonnes with the probability that they will be around 3bn tonnes. On these assumptions UK oil supplies at the turn of the century could be 50 per cent lower than the level foreseen early last year.

There is a good deal of uncertainty surrounding the level of UK gas supplies as well. At the moment British Gas Corporation is being forced to exploit offshore resources much more quickly than it had planned. The inconsistencies in government pricing policies, which now make gas much cheaper than competitive fuels, and fears about future interruptions to oil supplies, have left British Gas facing a far higher level of demand than it can meet.

But even the longer-term supply assumptions of the

Department—again more muted than hitherto—pose some ticklish problems. The Department reckons that the amount of gas still available to the Gas Corporation totals some 60 trillion cubic feet of which 39 trillion cubic feet will come from known UK reserves (10 tcf have already been consumed) and 21 tcf will come from import contracts with Norwegian producers and future discoveries. However, it is questionable whether much of the Norwegian gas will come to the UK, particularly as exploration groups seem to have found enough gas off the Norwegian coastline to justify the construction of a pipeline to the lucrative Continental energy market. So gas which might have come to the UK may well end up in France or Germany.

Various factors also influence the lower forecasts on the consumption side of the equation. They include a lowering of economic growth assumptions and an expected change in industrial and commercial activity.

In short, the Energy Department expects the less energy intensive service sector to provide a higher proportion of the country's wealth. The steel industry in particular will need less fuel than expected.

However, the Energy Department's figures assume somewhat riskily that energy conservation measures will shave a full 20 per cent of possible consumption levels at the turn of the century. Such savings may well be possible in the industrial and commercial sectors, and there is already much evidence to support this optimism, but as yet there remains considerable doubt about such savings being achieved in private homes and in the transport sector, certainly within the timeframe of the next two decades.

These trends lead remorselessly to a single conclusion. This is that, in order to prepare for the future—the day when

its offshore resources has started to dwindle—Britain must adopt the coal-conservation-nuclear or "co-co-nuke" policy if it is to remain reasonably independent of any need to import substantial quantities of fuel once again by about the turn of the century.

This is not a new conclusion—indeed, it is one widely discussed within the EEC. The term "co-co-nuke" is believed to have been coined in Brussels. But the nearest it has come to being accepted formally as British Government energy policy is the reference in Energy Paper 33, an inter-departmental—18 all told—view of energy, released by the Labour Government early this year. According to this paper: "Conservation is one of three main components—the others being coal and nuclear power—of the Government's energy policy in the long term."

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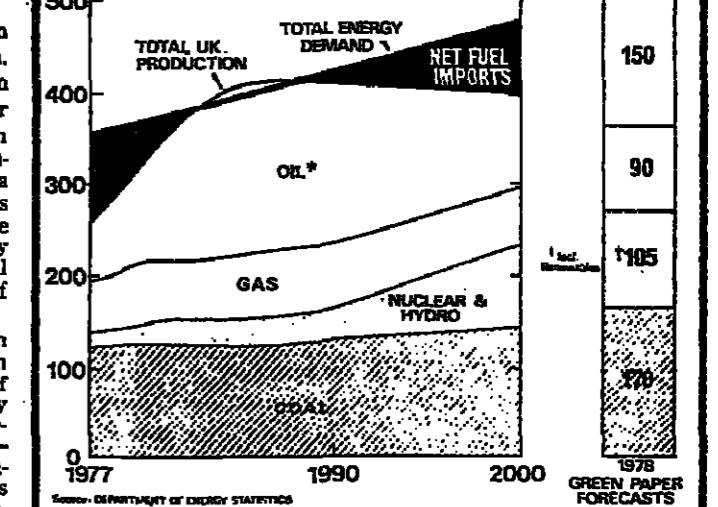
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new pits in Britain, often in areas of no mining tradition, to reach the output of 155m tonnes of coal mined in the year 2000 the Coal Board must open up 4m-5m tonnes of new capacity every year. Each year a project like Belvoir and its successors is delayed by the argument that "it is not really needed" must mean a shortfall of 4m-5m tonnes at the end of the century.

Coal's main use today is in generating electricity, which accounts for about two-thirds of the demand. But the Energy Department believes that before the end of the century—no matter how bullish the long-range forecasts of British Gas for finding more offshore resources—Britain will need to start turning coal into substitute natural gas (SNG). Fortunately, this technology is progressing smoothly, in the shape of British Gas's "slagging gasifier" experiments in Scotland.

While inevitably the big uncertainty in coal demand is the steel industry and how big a customer it will be for British coal in another two decades, Energy Department officials believe that by then the demand for SNG to keep the gas mains at full pressure will be putting the coal industry under severe pressure.

The idealism of the low-energy strategy seems to fall down badly on three major counts. First, it assumes a very low rate of growth and a decline in the fortunes of manufacturing industry in Britain that no government is likely to endorse. Second, it assumes the availability already of much technology which in fact is unproven and in some instances—coal-fired fluidised bed boilers suitable for rail-laying locomotives, for example—no one yet knows how to make and control. Third, and perhaps most damaging, it assumes that people will come to accept that energy and the need to



conserve it are so important and today's big coal-fired stations near the end of their life. The Energy Department has assumed 40 megawatts of nuclear electricity by the year 2000—four times as much as Britain has on-load and under construction today. It would like to have assumed more, but sees risks in plenty in trying to build, from what in some respects is a lamentably rundown base, an industry capable of providing even this capacity.

Fortunately, it says, its requirements are not in conflict for skills and other resources with the reconstruction of the coal industry.

The case for nuclear electricity rests firmly on what it is believed to be the country's need in electricity supplies. But it also rests firmly on economics. Mr. Fred Bonner, deputy chairman of the Central Electricity Generating Board, put it bluntly to an international gathering of bankers recently, when he said: "A great deal has to go wrong to upset the benefits of nuclear power over fossil fuel." There is no doubt any longer that the Department of Energy has accepted the argument.

EEC Fisheries Council meets.

President Giscard d'Estaing in West Berlin—first post-war visit by French head of state.

PARLIAMENTARY BUSINESS

House of Commons: Debate on Royal Commission Report on oil supplies, energy and coal.

COMPANY RESULTS

Interim dividends: London Atlantic Investment Trust. Interim figures: John Crowther Group, Dwek Group.

COMPANY MEETINGS

See Financial Diary on page 23.

## Letters to the Editor

### Problems of the CAP

From Messrs. A. Buckwell, D. Harvey and K. Thomson

Sir—You are absolutely right (October 23) of criticise Mrs. Thatcher's threats in her Luxembourg speech. There is certainly very little probability that any real and lasting progress on the problems of the European budget can be made during the remaining few weeks until the Dublin summit. There is an even smaller probability that sufficient progress to justify the use of threats to stop our budgetary contributions, or to withdraw the Community, could be made in this time span.

Both you and the Prime Minister, however, have incorrectly diagnosed the principal problem confronting the European Community. The problem is not the method by which Britain contributes to the budget or even the net amount we pay, but the size of expenditures arising from the common agricultural policy (CAP). Britain's net contributions to the European budget are large and, correspondingly, the French net receipts from the budget are large, because the CAP absorbs the bulk of the budget; most expenditure under the CAP goes to large agricultural net-exporters, and most revenues to fund the CAP come from large agricultural net-importers. If we continue to arrange European agricultural policy to transfer income from consumers and taxpayers to farmers using the instruments of variable levies and intervention buying, then the result will inevitably be large transfers from net-importing countries like Britain and Italy to net-exporting countries like France and the Netherlands.

If these cross-country transfers which accompany the inter-group transfers, are considered undesirable, then there is little alternative but to abandon the idea of a supra-national agricultural policy. It seems more likely, however, given the persistence of the CAP, that the idea of transferring money to farmers is generally thought worthwhile, but simply to be occurring at too great a rate. If this is the case then the correct solution is either to adjust the existing policy to reduce the levels of support it provides, or to change the method of financing the policy so that individual countries may, themselves, if they wish, support their farmers at a higher level than the Community as a whole desires. Both of these approaches involve changing the CAP itself.

Present government strategy is to tackle the mechanisms by which members contribute to the budget. This offers very little prospect for real success especially in the time period mentioned by the Prime Minister. There are three components of contribution to the budget: variable levies collected on agricultural commodities; import duties collected on non-agricultural goods; and an agreed fraction of a national VAT base. The first two are deeply entrenched in the nature of the Community itself and only the last is amenable to short-term negotiation and change. Of our gross contributions to the budget (£1.5bn in 1978) 43 per cent is the VAT-based contribution. Paradoxically, of all the aspects of the budget mechanism in the EEC,

these VAT contributions are the most equitable between countries in that relative size corresponds approximately to GNP shares. So even if we could persuade our partners to break with this "fair" aspect of contribution we could not expect to gain more than a few hundred million pounds. More importantly, unless the underlying problems of the CAP itself are resolved, such relief would be only temporary, since the existing CAP, with its open-ended commitments, tends to generate ever larger budget requirements.

The Government thus seems prepared to deploy large and not entirely legal threats unsupported by other parties in order to achieve relatively small and certainly temporary improvements in Britain's budgetary contribution. The big stick should be used to beat at the big target, the CAP itself, where at least we have the support of the European Commission.

Allan E. Buckwell, David R. Harvey, Kenneth J. Thomson, Department of Agricultural Economics, University of Newcastle-upon-Tyne.

### UK-U.S. tax treaty

From the President, American Chamber of Commerce (UK).

Sir.—The letter from Mr. Michael Grylls, MP, (October 19) on ratification of the pending U.S.-UK income-tax treaty proposes that U.S. companies which have investments in the UK, and which will be entitled to large refunds of advance corporation tax under the treaty, must "if they want their money . . . persuade Congress to legislate against unitary taxation by individual states."

As Mr. Grylls knows, the American Chamber of Commerce (UK) has established a special project committee, with substantial and independent financial support from leading American-owned companies such as Exxon, Hercules Powder, Occidental Petroleum, Xerox and Woolworth, to press for immediate ratification of the tax treaty and to maintain a continuing effort to limit and repeal the unitary tax system in individual states.

This special project will be pressed to a conclusion even after ratification of the double taxation treaty, which was signed by both governments on December 31, 1975. The original treaty contained a specific provision prohibiting the application of the unitary tax system to British companies by individual states. The treaty as it stands, however, is not fully consistent with one of the original aims of the unitary tax system, which was to prevent double taxation of the same income by both the U.S. and the UK.

As every Member of Parliament should know, the federal system in the U.S. does not permit the national government to dictate tax policy to individual states, and this is a particularly sensitive issue at the moment. Efforts in Washington to attack the unitary tax system used in California, Alaska and Oregon often encounter a strong state's

rights lobby, which was one of the mainsprings of opposition to the original provision in the double tax treaty prohibiting the application of the unitary tax system by state income-tax or franchise tax authorities.

The Chamber's special project committee will maintain a permanent staff member to help co-ordinate all efforts for repeal of existing unitary tax systems and to head on any future legislation imposing this form of hypothetical income calculation as the basis for state taxation. I hope your concerned readers will join in these efforts to roll back the unitary tax movement, which was initiated by state governments in the U.S. in order to counter abuses by a few companies in the reporting of income for state tax purposes.

It would be wrong for companies in the UK to believe that approval of the 1975 treaty would end the opposition by American business firms to the unitary tax system. These are really two separate issues, and we do not, therefore, think it is productive for British companies to continue their efforts to delay further the ratification of the treaty as a weapon in the unitary tax system where it now operates.

A. Edward Gottesman, American Chamber of Commerce (UK), 75, Brook Street, W1.

### Farms and tax

From the Deputy Director, Economics Division, National Farmers' Union.

Sir.—Mr. Sutherland's latest letter (October 23) shows a curious lack of understanding of the principles of accounting for stock changes. What he describes is not stock appreciation (that is a change in the monetary value of an unchanged physical quantity of stocks) but what is usually called work-in-progress. The work-in-progress change and any change in the volume of stocks held at the end of the year is included in the aggregate income calculation. There is equally no question of any element of the farmer's receipts being left out of the income data which I quoted.

Mr. Sutherland takes me to task for comparing "only one (poor) term" with one "earlier year." The latest three year period (1976-78) shows real income per full-time farm business to be 10.5 per cent up on the three years 1967-69 (the earliest comparable triennium available). This is not inconsistent with my figure of a 12 per cent growth over the decade.

Mr. Sutherland asserts that economies of scale run out at 250-300 acres "with the major advantages in long run unit cost running out at 100 to 150 acres." The best known study of economies of scale in UK farming was that published by Britton and Hill in 1975. Far from finding convincing evidence of diseconomies of scale these authors—who, like Mr. Sutherland, used the Farm Management Survey as the source of their data—admit that "the FMS does not provide enough data about very large farm businesses to give any clear indications about possible economies of size at that end of the scale."

As regards potential capital transfer tax liability, it is esti-

### GENERAL

UK: Chairman Hua Guofeng, the Chinese leader, on second day of visit, goes to Tower of London, meets Mrs. Margaret Thatcher at 10 Downing Street, sees Sleeping Beauty ballet at Covent Garden.

Crown Agents Tribunal resumes, Piccadilly Hotel, London.

Mr. James Prior, Employment Secretary, speaks at Road Haulage Association conference, Brighton.

Vauxhall Amalgamated Union of Engineering Workers mass meeting, Luton.

Lord Soames, Lord President of the Council, addresses

Oxford University Conservative Association, Oxford.

Mr. Norman Fowler, Transport Minister, speaks at Chingford Conservative Association dinner, Highams Park.

March against Government health service cuts, Lambeth.

Mr. Joe Gormley, National Union of Mineworkers president, addresses Foreign Press Association.

Sir Richard Marsh, Newspaper Publishers Association chairman, speaks at National Federation of Building Trades Employers' meeting, Luton.

Lord Soames, Lord President of the Council, addresses

### Today's Events

GENERAL

lunch, Goldsmiths' Hall, London.

Mr. Tom King, Environment Minister, addresses Ripon Conservative Association, Otley.

HIGHLANDS AND ISLANDS

House of Commons: Debate on Royal Commission Report on oil</

## Companies and Markets

# Satisfactory year seen by Galliford Brindley

THE current year at Galliford Brindley, construction group, has started reasonably with generally adequate order books, and the directors believe that the outcome for the 12 months will be satisfactory. Mr. Peter Galliford, chairman, tells members in his annual statement.

As already reported, pre-tax profits for the year to June 30, 1979 improved from £2.51m to £2.87m on higher turnover of £51.65m against £38.58m. An analysis of turnover and profits shows (£'000s omitted): building and development £1,453 and £702; civil engineering £23,801 and £211; special services £10,889 and £563; engineering £2,490 and £196 and plant hire £3,213 and £408.

Mr. Galliford says that both building and development and civil engineering at present have a satisfactory workload. In specialist services Galliford Road-store produced excellent results last year and a repeat performance is expected for the current 12 months. The engineering company, Caludore and Brown, returned adequate figures for 1978-1979 and has sound order books, while improvement is foreseen from the plant hire division.

The consolidated balance sheet discloses fixed assets of £4.46m (£3.97m) and net current assets of £3.55m (£2.5m).

On a current cost basis pre-tax profit for the year under review is £2.38m (£1.63m), after adjustment for depreciation £596,224 (£744,363), cost of sales £481,041 (£278,149), interest £25,694 (£67,781) and gearing £436,939 (£235,590).

The AGM of the company will be held in Coventry, on November 21, at 12.30 pm.

## SHARE STAKES

Crystalete (Holdings) — Mr. J. C. South, director, has disposed of 270,000 shares.

Nottingham Manufacturing — A Trust, in which Mr. H. A. S. Djanogly is a trustee, has acquired 700,000 shares.

## BOARD MEETINGS

The following companies have notified the Board meetings in the Stock Exchange. Such meetings are not held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

**TODAY**

Intermar—London Atlantic Investment Trust.

Finals—Transvaal Consolidated Land and Exploration.

**FUTURE DATES**

Intermar—

Bechuanas—Nov. 22

City of London Brewery—Oct. 31

Evans of Leeds—Nov. 20

Findley—Nov. 2

Flame (John) Hove—Nov. 1

Hambros Investment Trust—Nov. 1

Polymark International—Nov. 1

Readicut International—Nov. 7

Richardsons—Warrington—Oct. 31

Wimpey—Nov. 6

**Central Manufacturing & Trad.** Nov. 7

North British Properties—Nov. 9

Wolsey Hughes—Nov. 9

**Finals—**

REVENUE of CLRP Investment Trust expanded 24.9 per cent from £525,134 to £655,931 for the year ended August 31, 1979, before tax of £224,505 compared with £199,103.

And from earnings per 25p share of 2.96p (2.2p), the dividend is stepped up to 2.8p (2.1p) net, with final of 1.8p.

Gross revenue, including special non-recurring dividends of £18,203 (nil), amounted to £353,572 against £287,076.

Dividend cover for the year is £302,000 (£294,000), and the retained £21,926 (£1,842).

Nottingham Manufacturing — A Trust, in which Mr. H. A. S. Djanogly is a trustee, has

acquired 700,000 shares.

No account has been taken of

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*This announcement appears as a matter of record only*



## Red Nacional de los Ferrocarriles Españoles

**\$70,000,000**

Multicurrency Loan

Unconditionally Guaranteed

by

**The Kingdom of Spain**

Dillon, Read Overseas Corporation

European Arab Bank

Swiss Bank Corporation

Banco de Vizcaya

Bank of Tokyo and Detroit (International) Limited

Banque Belge Limited/Société Générale de Banque S.A.

Banque de l'Indochine et de Suez

County Bank Limited

The Dai-Ichi Kangyo Bank, Limited

The Fuji Bank, Limited

Provided by

Bank of Tokyo and Detroit (International) Limited

County Bank Limited

The Dai-Ichi Kangyo Bank, Limited

European Arab Bank

The Fuji Bank, Limited

International Commercial Bank Limited

National Bank of North America

Société Générale de Banque S.A.

Swiss Bank Corporation (International) Limited

Banque Nationale de Paris

Centrale Rabobank

MTBC & Schroder Bank S.A.

Agent Bank

Banque de l'Indochine et de Suez

15th October, 1979

## P. S. A. Peugeot-Citroen

A French "société anonyme" governed by the Articles 118 to 150 of the French law of July 24, 1966  
Capital: French Francs 861,837,130

Head Office: 75, avenue de la Grande Armée, Paris (France)  
Commercial Register: PARIS B 734,646,796

SECOND NOTICE TO HOLDERS OF BONDS 9½% 1979-1987  
OF FRENCH FRANCS 5,000

The bondholders of the International Loan 9½% 1979-1987 issued by P.S.A. PEUGEOT-CITROEN who were called for October 22, 1979, being unable to meet validly for lack of quorum, the bondholders are again convened to an Ordinary General Meeting at 75, avenue de la Grande Armée, Paris (France), on November 12, 1979, at 3 p.m., in order to consider the same agenda as that for the first meeting, that is:

—Appointment of the bondholders' permanent representatives, designation of the substitute representatives.

—Determination of the bondholders' representatives' capacities and of the remuneration given to the permanent representatives.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested.

The "Directoire"

## UK COMPANY NEWS

### Spong moves into loss

Spong, the hardware manufacturer and wireworker, reports another mid-term loss. In the first half of 1979 the taxable loss deepened to £123,064, compared with £83,052 last time. At the end of last year the group had recovered to a taxable profit of £10,742.

The directors say the company was hit by a sales decline and the strength of sterling.

They anticipate an overall loss for this year, although there will be some seasonal recovery in the second half.

There is again no interim. The last dividend was a final of 0.8p net for 1977.

Demand for traditional products has continued to decline, particularly in overseas markets where sales have fallen by 17.3 per cent on 1978.

The problems creating the decline have not abated, and the recent strength of sterling has only underlined the difficulties of selling abroad from the UK manufacturer base, the directors explain.

While the UK market has not experienced the same reduction in demand, it has only been by additional sales effort in terms of new packaging and better representation that turnover has been maintained at the same level as 1978-1979.

But the directors are optimistic about the launch of a new range of son & söhne products. The development phase is complete, and there has been very favourable reception to the products from the hardware trade.

But these new items will not contribute substantially to company's profitability until 1980.

Scotiabank

Pre-tax income of Scotiabank

for the half-year was £533,000 to £682,000 for the six months ended September 30, 1979.

May the directors expressed the hope that they would be able to make good the setback from £541,000 to £523,000 total pre-tax profits last year.

Group turnover in the first half rose from £382,399 to £405,216.

After tax of £224,505 compared with £199,103.

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### Crown Agents ex-chief starts his evidence

BY RAY MAUGHAN

THE INVESTIGATION into accounting, the Fay Committee found, were the cause. Publishing a 205 page report in 1977 on the events leading to a request for Government help, the Committee concluded that the agents conducted a substantial secondary banking activity, engaging in investment and lending which was untrue both in character and degree.

The Government had intended to set up a private inquiry to investigate the question of individual responsibility for the losses but suffered a decisive defeat in the Commons in an emergency debate on these proposals in December, 1977. By a majority of 32, MPs voted that a full-scale inquiry should be set up to investigate the matter in

have been questioned including Mr. Alan Challis, the former finance director.

The Tribunal recessed last July and it had intended to start hearings on September 11. The resumption, however, has been periodically delayed because the Rhodesian conference is occupying the hearing rooms at the St. James' Press and Conference Centre. Deciding that the inquiry must resume as soon as possible, the Tribunal will be sitting at the Piccadilly Hotel.

#### FT Share Service

The following securities have been added to the Share Information service appearing in the Financial Times:

Also Standard Corporation (Section: Overseas—New York Basic Resources Interactions SA (Oils), Cradley Printers Company (Paper, Printing Advertising), Redland Limited (Sterling Warrants (Bullings), Seltrast A (Mines+Australia).

#### OIL AND GAS NEWS

### Foreman makes find in Sharjah

ENCOURAGING quantities of oil

have been found in an offshore area of the Emirate of Sharjah, according to an official of the Petroleum Department, reports Kathleen Bishawti from Dubai.

Drilling has been continuing for some months in a concession held by the U.S. company, Foreman Exploration.

Oil has been found at a depth of 20,000 feet, the deepest ever drilled in Sharjah. No indication has been given, however, on the flow rate of the oil.

Foreman secured the concession only last June, and this latest find will undoubtedly boost flagging morale of local business men in the Emirate.

Oil production has been declining for the last two years, and is now at a level

## Record interim profit and sales at Fuji Electric

TOKYO—Fuji Electric Company, one of the major Japanese electric concerns, raised its net profit in the first-half by 51.8 per cent to a record Y1.83bn (\$7.8m) from Y1.023bn in the same period of the previous year, and up 17.2 per cent from Y1.56bn in the second-half of 1978/79.

Sales in the six months to September 30, were also a record, rising 2.7 per cent to Y126.90bn (\$54.2m), from Y123.61bn a year earlier, and up 8.3 per cent from the immediately preceding half-year.

The interim dividend was

Y2, against Y1.5 the year before, and the same as in the preceding half-year.

Orders in the six-months totalled Y134.73bn, to show a rise of 10.3 per cent from the Y122.18bn a year earlier, and one of 3.4 per cent from the second half of 1978/79.

Fuji Electric said that brisk sales of food vending machines and small-sized heavy electric appliances contributed to the increases in sales and profit.

Sales of heavy electrical appliances totalled Y52.81bn, down 18 per cent from the first

half of the previous year and 0.4 per cent from the second.

Sales of scales and other measuring instruments were up 17.8 per cent and 18.1 per cent respectively, to Y19.74bn, those of general electrical appliances, 18.9 per cent and 12 per cent to Y33.65bn, while those of vending machines and other special machines reached Y20.71bn, up 48 per cent and 24.0 per cent.

Exports totalled Y19.76bn, down 37.1 per cent on the year, but up 9.5 per cent from the level of the previous half.

AP-DJ

## National Bank ruling upheld

By John Wicks in Zurich

THE SWISS Federal Court has rejected appeals by the Federal Council and the Ministry of Finance against a National Bank ruling, according to which the Zurich bank Credit Suisse owes SwFr 81.7m (\$49.2m) in negative interest commission. This authority arose from the Chiasso scandal uncovered in 1977, in which large amounts of clients' fiduciary funds were shown to have been improperly channelled through the Lichtenstein letter-box company Texon Finanzanstalt.

A negative-interest commission debt is seen by the National Bank as having come about by the non-payment of this 10 per cent per quarter levy on new foreign Swiss franc accounts.

However, the National Bank ruled that a single 10 per cent payment on the growth of Texon clients' Swiss franc accounts after October 31, 1974, or the opening of new accounts was sufficient.

The Government contended that the commission should be charged at 10 per cent for every quarter, and not just for a single quarter.

This would have put the sum due up to SwFr 293m (\$176.5m).

At the same time, Credit Suisse also appealed to the Federal Court on the grounds that the foreign exchange rules had not, in effect, been breached, and that the account holders in question had borne large-scale currency losses on having to convert three-quarters of their Swiss franc assets in April, 1977.

The Bank called for a dropping of the commission debt entirely or, at least, a review of the National Bank ruling.

The Federal Court, in rejecting the Government's appeal, gave no detailed reasons for this judgment yet; it is seen, however, as arising from the Court's consideration that the National Bank has autonomous rights in the matter.

## Strong first half at ASCOL

BY JIM JONES IN JOHANNESBURG

FOLLOWING THE 88 per cent first half attributable profits increase reported by South African Breweries 53 per cent owned furniture retail arm, AMREL, SAB's 56 per cent owned furniture manufacturing subsidiary, ASCOL, has announced a 57 per cent attributable profit advance.

For the six months to September 30, 1979, ASCOL's turnover increased 13.3 per cent

to Rand 67.8m (\$55.8m) against R59m a year ago. This compares with turnover of R16.2m for the year to March 31, 1979. Higher sales led to better plant utilisation and resulting in a 25.5 per cent operating profit improvement to R5.6m.

The board is disappointed that the economy's growth rate was lower than anticipated during the six months. But if current trends continue, furniture

industry activities levels are expected to improve, especially during the first three months of 1980. If so, the board expects profits during the current six months to match those of the first half.

On first half attributable earnings of 22.3 cents per share (143 cents) ASCOL has declared a twice-covered 11 cents interim dividend (7 cents). Last year, a final dividend of 7 cents was paid.

OPERATING PROFITS of Swiss Bank Corporation, Basle, have shown a "notable improvement" in the first three-quarters of 1979 over the declining earnings for the same period of last year. This is attributed by the bank to the rise in the interest margin and the expansion of credit business. Both precious metal trading and commission income were up on comparable 1978 figures, while profits from securities and from foreign exchange dealing activi-

ties declined. The rise in operational costs was within budgeted levels.

The bank's balance sheet total rose further, to reach SwFr 65.24bn (\$39.3bn) on September 30. While the due-from-banks sum dropped considerably since the beginning of the year from SwFr 27.63bn (\$16.65bn) to SwFr 23.24bn (\$14bn).

The loans volume jumped from SwFr 22.85bn (\$13.76bn) to SwFr 29.64bn (\$17.85bn).

ties, the board said, reflected the rise in operational costs was within budgeted levels.

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## Swiss Bank moving ahead

BY OUR ZURICH CORRESPONDENT

despite generally improved results, Kloeckner-Werke AG still expects to report a loss for its fiscal year ended September 30, but the red ink will will be lower than the DM 75m (\$41.6m) deficit's Weit Germany's third largest steelmarker reported for the preceding fiscal year, according to Mr. Herbert Glenow, chairman of the Management Board.

AP-DJ

## Improvement at Kloeckner

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AP-DJ

## CURRENCIES, MONEY and GOLD

### An eventful week

BY COLIN MILLHAM

Last week was eventful as far as the foreign exchange market was concerned, although the volume of trading was not notably heavy. Apart from the obvious events in London, the market also had to contend with record Eurodollar interest rates leading to some very volatile movements in forward trading.

Although sterling lost about 4 cents on the abolition of exchange controls the forward pound was firm on Tuesday, reflecting market confidence in the move. At the same time the forward dollar was losing ground,

but have so far remained below the corresponding Eurosterling rates.

German interest rates were also high, while the strength of the D-mark caused problems for the Swiss authorities as the Swiss franc fell to its lowest level for about a year in terms of its German neighbour.

There was a major shift in the order of strength within the European Monetary System. The Danish krone which had been the strongest member since its devaluation at the end of September, slipped from its perch

and was replaced by the Italian lira. Apart from the last month or so, the lira has been the strongest currency since the system began in March.

Pressure eased on the Belgian franc. During the previous week the krona touched its highest permitted level against the Belgian currency of Dfl 5.5325, but by the end of last week had fallen to BFr 5.43.

The Dutch guilder took over from the Belgian franc as the weakest EMS currency, but was well within its allowed limits against the stronger members.

## GOLD

	October 26	October 26
Gold Bullion (fine ounce)		
Close		
Morning	\$374.377	\$374.771
Midday	\$374.377	\$374.178
Afternoon	\$374.80	\$377.504
Gold Coins	\$275.00	\$178.147
Kruggerrand	\$378.382	\$180.185
Mapleleaf	\$376.386	\$176.188
New Sovereign	\$376.386	\$176.188
Swiss	\$3105.109	\$320.52
Victoria Sovereign	\$3107.111	\$251.65
1/20 Napoleon	\$29405.482	\$89160.165
1/20 Sovereign	\$29405.482	\$89160.165
10 Sovereigns	\$2456.494	\$450.495
10 Eagles	\$255.270	\$55.260
50 Eagles	\$215.385	\$51.331

Rate given for Argentina is free rate.

Rate given for





# European combat aircraft racing against timescale complications

BY MICHAEL DONNE

PLANS ARE now being laid in Western Europe for the possible development on an international basis of a major new combat aircraft, for service from the late 1980s or early 1990s. This is needed to replace existing Jaguar battlefield close-support aircraft in service with the RAF and French air forces, the RAF's Harrier jump-jet fighters, and the Phantom fighters in service with the Luftwaffe.

At stake is a programme that could run to more than 700 aircraft, costing several billion pounds in research, development and production. This would be the second biggest military aircraft venture undertaken in Western Europe since the Second World War, after the current Tornado multi-role aircraft programme.

Because of the length of time involved in preparing any new advanced military aircraft—usually up to 10 years from conception to entry into service—the three major air forces of Western Europe, the RAF, the French L'Armee de l'Air and the West German Luftwaffe, have all been thinking for some time of what to do to meet their requirements in the late 1980s and beyond, when the existing types in service will be ageing fast, and outdated by developments in the Soviet and Warsaw Pact air forces.

As their studies have progressed, both independently and more recently also jointly, they have been forced to two main conclusions.

The first is that because of the heavy costs of developing

any new type of military aircraft, international collaboration is not just desirable, but essential, to widen the market and spread the burden of costs.

But secondly, they have discovered some marked differences in what each country really wants, and in the timing of their requirements.

Reconciling these conflicting aims is the major problem now facing the air forces and aerospace industries of all three countries, at the behest of the Defence Ministers of the three countries, who met in Hamburg last week.

## Merging plan

In Britain the RAF's studies originally concentrated on what is called Air Staff Target (AST) 403, a plan to merge into one aircraft the replacement of both the fixed-wing Jaguar strike aircraft and the Harrier vertical take-off (jump-jet) aircraft, going into service in the late 1980s-early 1990s.

In France, the major military aircraft builder, Dassault-Breguet, has developed alone its Mirage 2000 multi-role jet fighter, and more recently the more advanced but also multi-role Mirage 4000. Either could be regarded as a Jaguar replacement, and both are being built.

But France does not have the Harrier, and is not interested in any kind of vertical take-off requirement.

Similarly, in Western Germany, there is no interest in vertical take-off at present. Also, because the Phantom fighters have only recently been

introduced, there is less urgency about replacing them, the date being several years behind the RAF's need to replace the Jaguar. The West Germans have concentrated on their own TKE (Taktische Kampfflugzeug) venture, for a tactical combat aircraft replacement for both close support and "air superiority" — command of the skies high over the battlefield.

The differing timescales over which any new aircraft are likely to be needed are as much as six years apart.

The performance requirements of the aircraft involved are also exceptionally diverse, ranging from vertical take-off to very high speed (perhaps even supersonic), with heavy weapons loads, and substantial "electronic counter-measures" equipment to combat the enemy's own defensive electronic systems.

The aim hitherto has been to find an aeroplane that will satisfy everybody, whilst remaining combat-capable well into the next century.

Until recently, in the informal discussions between the Air Staffs and aerospace industries of the three countries, it had proved virtually impossible to achieve a common requirement.

First, it frees the European tactical combat aircraft discussions from the need to try to fit in vertical take-off (VTO) or short take-off and vertical landing (STOVL). It makes the evolution of a new aircraft technically much simpler, thereby improving the chances of winning agreement.

Secondly, it gives Britain a chance to press on with the

development of the Harrier for many years ahead, either alone with what is called the Mark 5 "Big Wing" Harrier, with improved battlefield performance, or with the U.S. aerospace industry on the Advanced Harrier, the AV-8B, now under development by McDonnell Douglas.

A breakthrough in the difficult timescale would be achieved, however, by the UK taking the unilateral decision to divide its own requirement into two concepts.

Instead of trying to force a joint Jaguar-Harrier replacement, it has now been decided to develop two separate aircraft. One will be a tactical combat aircraft, developed with Western Europe, to replace the Jaguar, and the second, an advanced Harrier, either developed alone or in concert with the U.S. (where the Harrier is generating substantial interest in the U.S. Navy, as well as in the U.S. Marine Corps which already uses over 100 of the aircraft).

This solution simplifies the situation for Britain, although it does add to the long-term development costs of the RAF's equipment programme.

But, at the same time, everyone had agreed that some common programme was desirable, because of the heavy costs involved in trying to develop alone a new military aircraft programme.

It was at that point that the Defence Ministers of the three countries met in Hamburg last

week to review the progress made in trying to get a new tactical combat aircraft under way.

They recognised the difficulties that had been encountered, but agreed that it was imperative that they should try to go ahead to seek a collaborative solution to the problem.

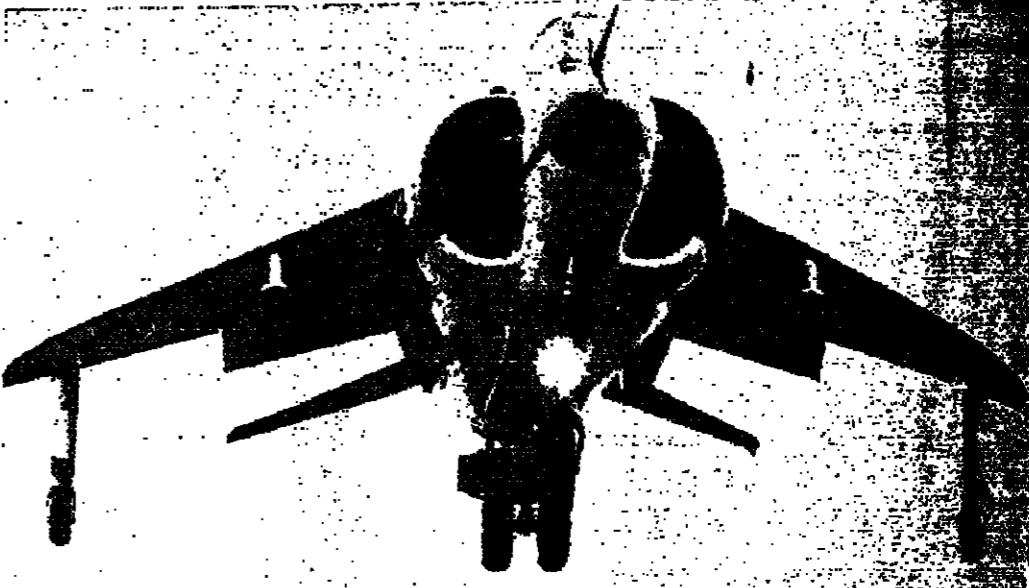
Either Harrier plan would be suitable for the RAF, and both options are still wide open, with discussions under way and a decision likely some time in two concepts.

There is no substance in reports that it has become an "either/or" situation between the Harrier and Jaguar replacement developments. Both aircraft are needed, and so far as is possible, the UK's intention is to develop both.

But this will cost money, and this is why the UK is pressing especially for international collaboration on the tactical combat aircraft to replace the Jaguar. There seems little doubt that the British and West German aerospace industries, which are already closely collaborating on the Tornado combat aircraft programme, could evolve a common specification that could take account of their differing time-scales and technical requirements.

The biggest problem is likely to be how far the French, with their own heavy commitments on the Mirage 2000 and 4000, will be prepared either to revise those programmes, or start an additional one to meet an international tactical combat aircraft requirement.

Until now the French aero-



The Harrier—a possibility of further development in the years ahead.

Ashley Atkinson

space industry, supported by the French Government, has preferred to develop most of its aircraft alone—the Mirage 2000 and 4000 are purely French concepts and developments, and France has remained firmly outside the Anglo-West German Italian Tornado programme.

France is also militarily outside NATO, although this has not been a problem for earlier international aircraft and missile projects, such as the Anglo-French helicopters, the Franco-German Alpha-Jet trainer and the Euromissile development programmes. Nor has it been a problem in the recent tripartite Anglo-German-French Memorandum of Understanding to develop a new anti-tank guided weapon to replace the French Milan and Britain's Swingfire.

The big question to be answered during the next six months by the military aircraft manufacturers of the three countries—British Aerospace, Messerschmitt-Bolkow-Blohm of West Germany and Dassault-Breguet of France—is whether they can find a common approach to the tactical combat aircraft problem, which they can translate into a practical design (or designs), on which they can work together, sharing the work and costs involved in research, development and production, to the satisfaction of their Governments.

This is the task that the companies were set by the Defence Ministers in Hamburg. The six months' target they were set is not a firm one, but the Defence Ministers want to see some results by around next spring or early summer.

It is possible that the aerospace industries will fail in their task. They may not be able to agree on either a common specification which might require one or the other abandoning some long-cherished beliefs about future military aircraft development. Nor may they be able to reach any understanding on work-sharing or cost-sharing.

In such circumstances, there are other, less attractive, options available. One is for a bilateral, instead of a tripartite, European programme. The U.S. aerospace industry could also be invited to participate, under NATO auspices. At present, the U.S. has tended to try to sell to Europe its own combat aircraft, such as the General Dynamics F-16, and has parts of that built under licence in Europe, rather than become involved with Europe in the design from scratch of a common new aircraft.

But if at the end of six months, a European programme does appear to be possible, the next step in 1980 will be to establish a firm "feasibility study," refining the work already done, leading to the more advanced phase of "project definition" in 1981, and perhaps a formal project go-ahead in 1982.

Such a time-scale will be imperative, if the original notion of an in-service date of late 1980s-early 1990s can be met.

The longer it takes to get the new tactical combat aircraft programme rolling, the more complex it will become because of the continually advancing state of military aircraft development, and in turn therefore more expensive.

# The Norwich way is handling our clients with great care.

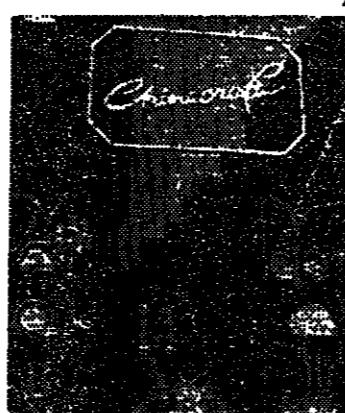


At Norwich Union all our clients appreciate one thing above all else.

The way we look after them. And we have been looking after some of our clients from the day they first started in business.

Such is the case with Chinacraft with whom we have been closely involved for almost thirty years, when they were just beginning with a small shop.

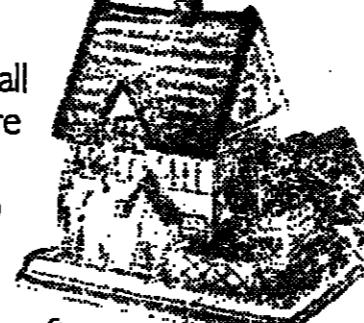
Today they are the largest independent retailers of fine china and crystal in the country, supplying both the public and business communities; looking after their customers as carefully as we've looked after Chinacraft.



Throughout their development they have trusted us to advise them on all their insurance requirements. We insure them against fire, theft, breakage and many other things besides. And we also handle their staff pension scheme and many personal insurances.

In short, we provide Chinacraft with a complete service for their business, and the people involved in it. It's created a very close and friendly relationship; one that we enjoy with all our clients.

Whether big or small, all our policyholders are handled with care the Norwich way.



*'I didn't want to be a burden, but what food is my pension nowadays?'*

When you've paid into a pension to make yourself self-sufficient in retirement, it is heart-breaking to have to ask for help.

But what else can this gentleman do? He couldn't have foreseen that the pound in his pocket would go on being worth less and less with every year that passes.

People like this deserve our help. People who have stood on their own two feet all their lives. People who have planned and saved for their old age. Inflation is no fault of theirs, yet they suffer for it.

At the DGAA we do all we can to help people like this. They want to stay on in their own homes, so we help with allowances. Only when they can no longer cope do we find them a place in one of our Residential or Nursing Homes.

However we help we do so with tact and sympathy. Because we really do understand. Will you please help us to carry on? With a donation, or a legacy, too, perhaps?

## DISTRESSED GENTLEFOLK'S AID ASSOCIATION

Vicarage Gate House, Vicarage Gate, Kensington, London W8 4AQ

"Help them grow old with dignity"

Extracts from  
Lord Kissin's  
Chairman's Statement



• The Board is confident that the very considerable potential of the business will continue to be developed enthusiastically and effectively in the years ahead.

• Management structure greatly strengthened to cope with expansion in new territories.

• International Services comprise: Loss Adjusting, Marine Services, Cargo Inspection, Non-destructive Testing and Inspection, Consulting and Laboratory Services, Freight Forwarding and Transportation.

Year to 31.3.79      Year to 31.3.78

Fees and Turnover      £43.2m.      £38.4m.  
Profit before Tax      £3.8m.      £3.0m.  
Earnings per Share      14.3p.      12.0p.

## Esperanza Limited

Copies of the Report and Accounts may be obtained from  
The Secretary, 18 Rood Lane, London EC3M 8AP.

كتابات البحار

## INTERNATIONAL CAPITAL MARKETS

## INTERNATIONAL BONDS

## Faint hopes for dollar sector

A NUMBER of factors left some bond houses wondering, last Friday, whether the worst might be behind them and whether the investor's strike might be ending. In the dollar sector it has virtually frozen all new issues activity and pushed secondary market prices of straight bonds down by about 7 points across the board since the announcement of the Volcker credit package.

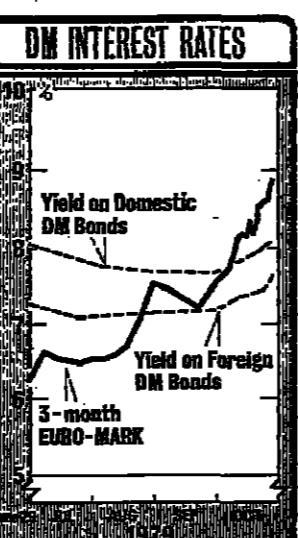
A number of bond houses reported quite heavy buying of straight dollar bonds across the maturity and quality range on Friday. They pointed to the indication by Dr Fred Leutwiler, the president of the Swiss National Bank, on Thursday that the central banks of West Germany and Switzerland had informally agreed with the U.S. Federal Reserve that they should avoid selling dollars in the currency markets as a factor which should help preserve a stable dollar for some time.

In sharp contrast the announcement that DM 4bn

worth of Carter bonds would be floated in the West German Capital market—DM 2bn of which are expected early next month—was no help to a very disturbed D-Mark bond market.

There were only two new dollar issues, both floating rates. A \$25m FRN for the Co-operative Bank, the first Eurobond for this borrower was launched at the weekend, through London and Continental Bankers. This is the first time this bank has acted as lead manager for a Eurobond issue. The borrower is paying a coupon of 1 per cent over the six month Libor rate.

Earlier in the week, Orion had privately placed \$100m worth of notes for British Airways, believed to be the first FRN for a British state company. The margin is 1 per cent over the three-month interbank rate and the issue is convertible throughout the life of the note, at the investor's option, into fixed rate bonds carrying a 9 per cent coupon.



The high denominations of these notes—\$500,000 rather than the traditional \$1,000,000 suggest, along with its very fine terms, that it is closer to a syndicated loan than a market-

worth of Carter bonds would be floated in the West German Capital market—DM 2bn of which are expected early next month—was no help to a very disturbed D-Mark bond market.

Selling from abroad hit hard currency bonds badly. Deutsche Mark foreign bonds posted losses of two points on the week while the only scheduled new issue, for the Council of Europe, was cancelled. The domestic German bond market was also very weak and the Bundesbank bought DM 570m worth of paper to support the market. German banks did not expect a quick improvement in this state of affairs.

In the Swiss franc sector, prices shed a point while Credit Suisse confirmed that the 12-year SwFr 100m bond offering for the World Bank had not been quite covered by subscriptions. Swiss dealers are also gloomy about the outlook in their sector after witnessing selling pressure from abroad, and from Swiss residents.

New issues are difficult to place and yields are climbing steadily. The SwFr 80m ten-year offering for Finland was priced to offer

the investor a return of 4.87 per cent, the highest for a quality name seen in a long time.

Straight dollar bonds shed about two points last week despite the Friday rally. First Chicago has raised its estimates of the capital losses incurred on straight and convertible dollar bonds since the end of September from \$245m on October 19 to no less than \$345m on Friday.

A further round of U.S. interest rate rises could be sparked off by Citibank's decision last Friday to raise its prime lending rate to 15½ per cent. With one of the market's major clearing systems, Euroclear, increasing its rate from 12½ to 14½ per cent last week, the negative cost of carrying bonds in inventory remains considerable.

Trading conditions remain extremely volatile and trading houses are quoting spreads of 1 of a point instead of the more traditional 1 point.

MANUFACTURERS HANOVER Trust, the fourth largest bank in the U.S., was well advised to refrain from admitting its blame for the Federal Reserve Board's dramatic midweek reduction of money supply growth estimates which made the mistake.

By late Friday, however, bond dealers were inclined to dwell more on the pleasant effects the admission of the error had brought in the money markets.

It was, after all, the first piece of good news the markets had had for three weeks, since the Fed announced its latest anti-inflation package and set interest rates on the road to new peaks.

With the Fed more relaxed about the money supply position it was able in the second half of last week to put funds into the banking system, generating at least a short period of stability.

The result was that in trading the market still has to travel to return to its condition prior to the Fed's October 6 announcement. In the last four weeks, one month Treasury bills have increased their yield by 115 basis points, one month commercial paper by 240, three months Treasury bills by 170 and six month certificates of deposit by 238. Even last week, only Treasury bills and six month certificates of deposit showed a net decrease in yield in the short term money markets.

Opinions differ on how long the calm of last Friday can be expected to last. Salomon Brothers, for its part, gives three reasons against too much optimism—that there is still excessive money growth, that the Fed's tighter rein on commercial banking will limit the banks' purchases of Government stock and expected credit from business at the year end.

## BOND TRADING

## Murmurs of protest

THE SECONDARY market in Eurodollar bonds is still shell-shocked from the worst three-week period in its history, after price falls of around 10 per cent across the board in the wake of the tough Volcker monetary package in the U.S.

This is believed to have been the biggest drop in dollar fixed-interest markets since the 1920s, and is openly acknowledged to have resulted in large losses for many dealing houses as well as investors in the \$80bn Eurobond market.

Once again, the key process in secondary dollar bonds—that of market-making in Euro-bonds by banks, investment houses and specialised trading institutions—has been under severe strain.

While there is an unwillingness to single out specific names, the reluctance of some market quarters to trade and deal in bonds has been criticised, particularly by the large institutional investors.

Certain Swiss-based funds are particularly incensed, claiming that as high as 75 per cent of all market-makers

were at times failing to execute business at "proper" prices.

In fact, some banks appear to have stood out as particularly firm market-makers, out of the 140 or so officially listed by the AIBD, the bond traders' association, even on days when bond prices were gyrating several points at a time.

A sample of the views of large institutional investors shows that Deutsche Bank is singled out for special praise, with institutions regarding it as the focal-point of the dollar bond market this month.

The German bank itself makes a market in nearly 300 dollar issues. It tried to keep its business to half-point trading spreads, trading in volume up to \$500,000 or higher per deal, even on bad days.

Merrill Lynch, Kidder Peabody, the Credit Suisse First Boston/Wire Weld Securities Association, and Bank of America are also felt by a number of institutions to have performed creditably, while year-end,

Goldman Sachs is also regarded as having made "good" markets to its institutional clientele.

Some other market participants believe it unfair to single out specific banks for their trading form, and claim that, with exceptions, the "bulk" of established market-makers were prepared to take on bonds even when the market was plunging.

Despite the difficult trading of the last few weeks, investors shun have been able to have liquidated their bonds through the market, and it has always been possible to deal at a price, these participants say.

In the past, particularly during the bear market of 1974, the complaint was made that the market-making process essentially broke down, and it was difficult for investors to sell their holdings at any realistic quotation.

The losses incurred recently and the clouded outlook may nevertheless result in an overall decline in the number of active market-making houses before year-end.

THERE IS still such a thing as having made "good" markets to its institutional clientele.

give a depth to the ESB primary and secondary markets which it has sadly lacked till now. But it begs the question whether the Inland Revenue will allow British investors the delights of gross dividends, bearer shares and coupon-clipping charter flights to Luxembourg.

From the borrowers' point of view certain restrictions on the use of Euro-sterling funds now fall away. British borrowers can use them for outward portfolio investment; they couldn't before. Foreign borrowers can use the funds abroad; before they had to use them for UK direct investment. It is this latest point which seems most likely to bring new borrowers to the ESB market.

Looked at with regard to potential investors, the chief impact of the end of exchange control is that British investors can now buy Euro-sterling bonds directly as far as the Bank of England is concerned: previously they could only buy banks of all nationalities to organise ESBs or whether it will continue to insist that a British bank be at least joint manager in any ESB issue.

The ESB will now have to compete with foreign sterling bond issues—"bulldog bonds"—in that they would be the British version of the yankee, a domestic bond for a foreign borrower. The advantage of the ESB here will presumably depend upon the degree of enthusiasm for sterling among foreign investors who prefer the bearer bond and the gross dividend payments of the ESB to the normal British registered bond. Only if there is a sufficient preponderance of such investors will the ESB be able to command its traditional coupon discount on domestic stability.

One alternative to bond issues being discussed in the City last week was the possibility of assembling syndicated floating rate loans in sterling for foreign borrowers, initially ranging in size up to £25m. Foreign banks in the City already have experience in arranging such loans, funded partly in the wholesale money market, for British borrowers.

Such a possibility could

## BY JOHN EVANS

## EURO-STERLING

## Coupons are the key

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YEN STRAIGHTS Issued Bid Offer day week Yield Change on

YEN STRAIGHTS Issued Bid Offer day week Yield Change on

## BY NICHOLAS COLCHESTER

## EURO-STERLING

YEN STRAIGHTS Issued Bid Offer day week Yield Change on

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YEN STRAIGHTS Issued Bid Offer day week Yield Change on

## FT INTERNATIONAL BOND SERVICE

## U.S. DOLLAR

STRAIGHTS Issued Bid Offer day week Yield Change on

STRAIGHTS Issued Bid Offer day week Yield Change on

## BOND/TRADE INDEX AND YIELD

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## UK NEWS

# Soft drink sales growth 'will slow'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SLOW DOWN in growth in the UK soft drinks industry, which had retail sales approaching £100 million last year, is forecast in a new report.

The report, which includes a survey of 124 companies in the industry carried out by Jordans Surveys, suggests that the overall market growth will return to an average increase of 3 per cent a year following two above-average years.

The main reasons for this slow down in the short-term are the prospects for a general economic recession as well as higher prices caused by extra packaging and distribution costs.

Within the soft drinks market, however, carbonated drinks are likely to increase their popularity at the expense of concentrated drinks such as fruit squashes.

Carbonated drinks account for more than four-fifths of the soft drinks market in terms of value, although only about half in volume terms.

## BY OUR CONSUMER AFFAIRS CORRESPONDENT

A RECOVERY in consumer demand in the final quarter of the year is forecast in the latest review of the retail industry by stockbrokers Phillips and Drew.

But this recovery could be followed by a sharp decline in demand after Christmas, the brokers suggest although they expect a slight recovery later in the year.

Phillips and Drew analysis is broadly in line with opinion privately expressed by all retail groups.

It is suggested that while this month's tax rebates may not have provided much real disposable income, the rebates have helped stimulate consumer demand. Retailers feel that many people want to have a good Christmas before cutting back next year.

Significantly, the major credit card companies are extending the credit limits available to card holders who are good risks to enable any pre-Christmas spending spree to be financed on credit.

Phillips and Drew suggest that all sectors of the trade are likely to share in the pre-Christmas boost in demand, with the non-food and consumer durable sectors expected

to fare best.

But in the first quarter of 1980, the brokers predict that the level of trade will fall sharply.

## Retail recovery forecast

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE GOVERNMENT intends to press ahead with legislation to strengthen its policies on monopoly and mergers within the overall framework of increased industrial competition.

This was made clear by Mrs. Sally Oppenheim, Minister for Consumer Affairs, in a speech to the annual meeting of the Consumers' Association on Saturday.

Mrs. Oppenheim said that the Government's Competition Bill, now going through Parliament, "will be complemented by a further measure dealing with the more complex area of monopolies and mergers policy."

## F.T. GROCERY PRICES INDEX

# Mild weather keeps down fruit and vegetable prices

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES Grocery Prices Index rose only marginally during October as the mild weather helped bring down the price of fresh fruit and vegetables.

The October index stood at 114.95, compared with 114.17 in September.

The report says that soft drinks used as "mixers" with spirits are selling well, due to the current buoyancy of the spirits market, while canned soft drinks are experiencing high demand levels. In addition, the increase in VAT has not appeared to adversely affect food retailers.

However, there were signs in the October index that packaged grocery prices were beginning to creep up again, after some months of relative stability.

The cost of frozen foods included in the shopping basket, for example, went up from £207.43 to £208.50. Sauces and pickles were up in total from £44.61 to £45.67, while canned goods rose from £169.42 to £169.68.

The preserves and dry groceries part of the basket increased marginally in cost from £56.03 to £56.60.

With the return of independent television, the major supermarket multiples are now embarking on a renewed promotional campaign which had previously been limited to press and radio advertising. Tesco,

## FINANCIAL TIMES SHOPPING BASKET

OCTOBER 1979

	Oct.	Sept.
Dairy produce	571.98	566.56
Sugar, tea, coffee, soft drinks	185.19	182.76
Bread, flour and cereals	265.40	263.52
Preserves and dry groceries	96.60	96.03
Sauces and pickles	45.67	44.81
Canned goods	169.06	168.42
Frozen foods	208.40	207.43
Meat, bacon, etc. (fresh)	491.34	487.15
Fruit and vegetables	198.33	204.19
Non-foods	210.99	204.98
Total	2,443.36	2,424.75

Index for October: 114.95  
1978: March 100; April 101.77; May 102.11; June 104.18; July 102.41;  
August 101.87; September 101.90; October 101.77; November 103.57; December 105.10.

1979: January 108.54; February 108.45; March 109.12; April 110.85;  
May 112.59; June 116.02; July 114.79; August 114.16; September 114.17; October 114.95.

for example, decided to use the film "sawed" from its television advertising budget to reduce prices on its non-food lines, such as clothes.

But in spite of the heavy promotional advertising in the run up to Christmas, it would seem likely that many food retailers are only too willing to let prices and gross profit margins edge upwards slightly.

This is also one of the conclusions of stockbrokers Phillips and Drew in their latest retailing review. The brokers argue against a new food price war breaking out for four main reasons. The major multiples are committed to expensive store development programmes next year, net margins will be under increased pressure from higher operating expenses, there has been no significant loss of market share by a multiple with the financial muscle to start a price war, and the marketing strategies of the multiples appear aimed at improving the sales performance of its higher margin, non-food lines.

In the fresh fruit and vegetable section of the shopping basket—which cost £198.33 this month compared with £204.19 last month—tomatoes proved the exception with all round price rises. But virtually all other fruits and vegetables were cheaper this month.

Apples, especially, were generally lower in price because of the surge of French Golden Delicious swamping the UK market. Imports from France are some 36 per cent higher so far this season and British growers have had to hold their crop in store in the hope of higher prices later in the season.

The FT grocery prices index is based on data collected by 25 shoppers who monitor a list of 100 grocery items each month in the same food stores of all types and sizes throughout the UK.

The survey thus gives an indication of the trend in grocery prices.

The FT grocery price index is copyright and may not be reproduced or used in any way without consent. All inquiries should be made to Lucinda Wetherall at the Financial Times.

## BADGES

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## BUSINESSMAN'S DIARY

## UK TRADE FAIRS AND EXHIBITIONS

Venue

Building Centre, London

Nat. Exhb. Centre, Bham.

Olympia

Kensington Town Hall

Harrogate

Holiday Inn, Bristol

Dunstable

Olympia

Earls Court

Royal Horticultural Hall

Wembley Conference Centre

Metropole Exhibition Hall, Brighton

Olympia

Dusseldorf

Bordeaux

Basle

Frankfurt

Paris

Tokyo

Hong Kong

Las Palmas, Canary Islands

Thessaloniki

Munich

Vancouver

Copenhagen

Luxembourg

Genoa

Paris

Rotterdam

Basle

Brussels

Zurich

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

International Fashion Trade Fair (01-409 0956)

(until Oct. 31)

Exhibition of Household Equipment, Caravan,

Radio and TV (until Nov. 4)

Autumn Market (until Nov. 11)

Office Equipment Exhibition (01-734 0543)

Do-It-Yourself Exhibition

Motor Show (01-734 9677)

BMA Medical and Pharmaceutical

(01-835 8200)

Spanish Atlantic Trade Fair

International Food Fair—Beverages—Equipment

International Exhibition for Electronics Production

(01-496 1951)

British Columbia Business Show (01-540 1101)

Resins and Pigments Exhibition (0737 68611)

"Banque '79" Exhibition at Banking Congress

International Hotel and Tourist Equipment

Exhibition

Heating, Refrigeration and Air Conditioning Techniques

Exhibition INTERCLIMA/EXPOCLIMA (01-39 3864)

International Maritime Exhibition—EUROPORT

IGEM '79 Industrial and Institutional Catering

Exhibition

International Market for the European Diffusion

of Sub-Contracting

Swimfit '79 Exhibition for Swimming Pools and

Sporting Equipment

## BUSINESS AND MANAGEMENT CONFERENCES

FT City Course (01-236 4382) (Until Dec. 13)

National Retail Merchants Association US: Annual International Retailer's Symposium on Loss Prevention (01-493 8000)

Oct. 31 Seminars International: "Multi-choice" International Finance Conference (01-734 7112)

Nov. 2 CCC: Liability for Workplace Hazards (01-322 6362)

Nov. 2-4 The British Production and Inventory Control Society: European Technical Conference Management Centre Europe; Donald A Schon on Innovation and New Business Development

Crown Electronics: Concentrated Course in U.S. Government Contracts (01-633 0617)

Executive Conferences: Justifying and Selecting Automatic Test Equipment (0494 33171)

Nov. 6 Hotel Russell, WC1

Hilton Hotel, WI

Cafe Royal, WI

Europa Hotel, WI

Metropole Hotel, Bham.

Geneva

Holiday Inn, Swiss Cottage

Hotel Russell, WC1

LORDS—Law Reform (Miscellaneous Provisions) Bill, third reading. Insurance Companies Bill, second reading. Motions to approve Tax, Consumer Credit and Judicature (Northern Ireland) (Consequential Amendment) Order 1979; Administration of Estates (Northern Ireland) Order 1979; Industrial Assurance (Northern Ireland) Order 1979 and Statutory Rules (Northern Ireland) Order 1979. PUBLIC ACCOUNTS Committee. Subject: Department of Energy. Witneses: Offshore Supplies Interest Relief. (Room 16, 4 pm).

TUESDAY COMMONS—Debate on the increase in the use of drugs revealed by Misuse of Drugs statistics.

COMMONS SELECT COMMITTEE—Shipbuilding Bill, second reading. Motion on the EEC (Definition of Treaties) (International Wheat Agreement) Order.

LORDS—Law Reform (Miscellaneous Provisions) Bill, third reading. Insurance Companies Bill, second reading. Motions to approve Tax, Consumer Credit and Judicature (Northern Ireland) (Consequential Amendment) Order 1979; Administration of Estates (Northern Ireland) Order 1979; Industrial Assurance (Northern Ireland) Order 1979 and Statutory Rules (Northern Ireland) Order 1979. PUBLIC ACCOUNTS Committee. Subject: Department of Energy. Witneses: Offshore Supplies Interest Relief. (Room 16, 4 pm).

WEDNESDAY COMMONS—Debate on procedure. Motion on the Family Income Supplements (Computation) (No. 2) Regulations.

LORDS—Debate on the growing seriousness of the problems caused by alcohol in the UK. Debate on the Standing Commission on Museums and Galleries. Criminal Injuries Compensation Bill, report stage.





## SOUTH FLORIDA III

## Banks bid for world rating

FOUR YEARS AGO it would have been hard to imagine the City of Miami taking on the role of international financial centre. Today, with close to 40 foreign and U.S. banks operating in the City in international markets, it has already taken a giant stride in the direction of becoming a vital financial centre for Latin America.

The transformation is still sending shockwaves through the hitherto parochial, some would say complacent, Floridian banking industry. No doubt, to the surprise of some of its members, Florida's banks have discovered that whatever the letter of the law, when international banks are granted permission to open a local office their activities inevitably impinge on the domestic operations of the indigenous banking companies.

Moreover, the drift of both Federal and Florida State legislation over the past two years strongly suggests that the competitive pressures on the regional Floridian banks are likely to intensify.

## Infancy

It would be easy to overplay the speed and extent to which Miami has developed into an international banking centre. In

comparison with the truly international financial markets such as New York, London or Frankfurt, Miami is still in its infancy. There is no foreign exchange or money market in the City and the infrastructure which is required to support such an international banking centre is either non-existent or only just developing.

Mr. Alexander McW. Wolfe, President of the Banking Group within Southeast Banking Corporation, the state's largest bank, and himself an experienced international banker, suggests for example that the accountancy and legal expertise required to support international banking in its broadest sense is only just beginning to appear.

"I would not want to package say, a major ship construction financing here," he says.

In 1976 a team from Florida International University guided by Prof. Jan B. Luytjes, did a study on the potential for Southern Florida to develop as an international financial centre. They questioned whether Miami could "develop into an international financial centre of the magnitude and variety of New York or London."

The study cited "the lack of a large manufacturing base in the community with its large capital generating characteristics" as just one of the factors which would inhibit the city's development as an international financial market. But it is already apparent, two years later, that the evolution of banking in Miami has begun to take the city a stage beyond the role of a book-keeping centre which also provides trade related financial services.

The region has always been a banking market in which the local financial institutions gathered more deposits than they could comfortably employ domestically. What has begun to happen is that instead of sending them to correspondent banks in New York or Chicago, local bankers are putting funds out in Latin America.

Mr. J. Stephen Hudson, chairman of Flagship National Bank of Miami, says that international lending has been the fastest growing part of his bank's loan portfolio—accounting now for about 25 per cent of the funds out in Latin America.

He stresses the caution with which his bank is tackling this market—Florida's banks are well aware of the narrowness of international interest rate margins and the depth of competition. A high proportion of the advances he says are to Latin American banks.

Certainly the larger Florida banks seem to be well aware of the risks associated with international lending and the need to build up expertise before plunging in too boldly.

Although a dozen or so Florida banks are now engaged in international business, the forces which have tended to foster the creation of an international banking market in Miami have come from outside the state's traditional business establishment.

As Mr. William Babl who, with Mr. Ed Hoyt, has been responsible for building up Morgan Guaranty's operations in the city puts it, the development in part reflects the old-established trend of banks following the customers.

The first bank from outside Florida to set up an international banking office in the state under the terms of the Edge Act was Citizens and Southern National Bank of Georgia a decade ago. But it is only in the

past three years that a significant volume of international banking business has been conducted in the City.

At present 15 major U.S. banks ranging from Bank of America, through Citibank, Chase Manhattan and Morgan with total liabilities and capital of just over \$1bn as at December 1978, up from just under \$350m in December 1974, according to figures prepared by the Atlanta Federal Reserve Bank.

It is over this four-year period that Miami has also seen

a remarkable increase in the numbers of Latin Americans visiting the city, making investments and opening bank accounts there.

How much Latin American money is now in Florida-based banks is a matter of conjecture. Mr. McWolfe says that his bank alone has some \$800m of Latin American deposits (one quarter of the bank's total deposits) in fully 43,000 individual accounts. Bankers generally suggest that perhaps \$2bn of Latin American and Caribbean money is currently on deposit.

As he puts it, the two prin-

cipal elements which make up a market are in place: people and money. There are several explanations of why Miami has become such a magnet for Latin money. Local bankers talk of "fink money," funds which wealthy Latin Americans are shifting into the U.S. because of political uncertainties at home or simply to diversify their interests. Florida has no barriers to foreign investment. Indeed it is actively encouraging it so the South Americans can put their funds into banks, start local businesses or buy property.

Some South American companies are actually moving their headquarters out of their home countries to Miami and others are moving their families there, away from threats of kidnapping. The fact that Miami has a large, now indigenous, Spanish-speaking business community—comprising mainly Cuban immigrants—with whom Latin American businessmen feel at ease—has been another factor contributing to its growth as a financial centre. Many would say the most important single element in the picture.

This has certainly been one

of the factors attracting some of the foreign banks into Miami, particularly agencies of Latin American banks. A fundamental factor in their establishment, however, was a positive decision by the Florida state legislature in 1977 to permit foreign bank agencies into the state to conduct international lending business.

Thirteen foreign banks have state chartered agencies in Miami. It seems almost certain that that number will increase as a result of the International Banking Act which President Carter signed into law last year and the subsequent legislation passed by the Florida state legislature earlier this year which, according to the State Comptroller's office, will give state chartered agencies of foreign banks in Florida the same broadened banking powers as Federally chartered international banking agencies will

have when new regulations come into force.

Critically, it is expected that the state agencies will be able to make loans to domestic Florida companies, not just international loans.

International bankers are expecting Barclays Bank to be one of the first new foreign banks into the state, joining Lloyds Bank and Standard and Chartered among the British banks who are already established, by all accounts the two banks were operating profitably within a few months of opening on the basis of the international trade finance and international deposit-taking business which they were quickly able to build up. The non-U.S. resident deposit-taking has had to be booked out of the state, of course, although again this is likely to change under the new banking regulations.

Stewart Fleming

## Transport system a major asset

the 360ft deep dredged entry channel.

A looming problem, though, is inadequate communications with the mainland and central Miami. There is some question of whether the port's development as a cargo centre should be encouraged in view of the additional road traffic which will result. This is in turn part of a larger problem for there is little doubt that in view of the economic growth now anticipated, costly improvements in road transport communications will be needed in the whole region, something which the state authorities are conscious of.

An appreciation of the financial as well as the physical hurdles facing major road improvements lies behind Dade County's ambitious urban rapid transit development plans. If private car drivers can be persuaded and pushed into abandoning their vehicles then a growing volume of commercial traffic can be more easily accommodated.

Urban rapid transit has had a somewhat chequered history since the American motorist became wedded to his car, so Dade County's experiment will be followed closely by policy-makers who hope that drivers will cut back on using their cars if good alternative public transport systems are provided.

Stewart Fleming

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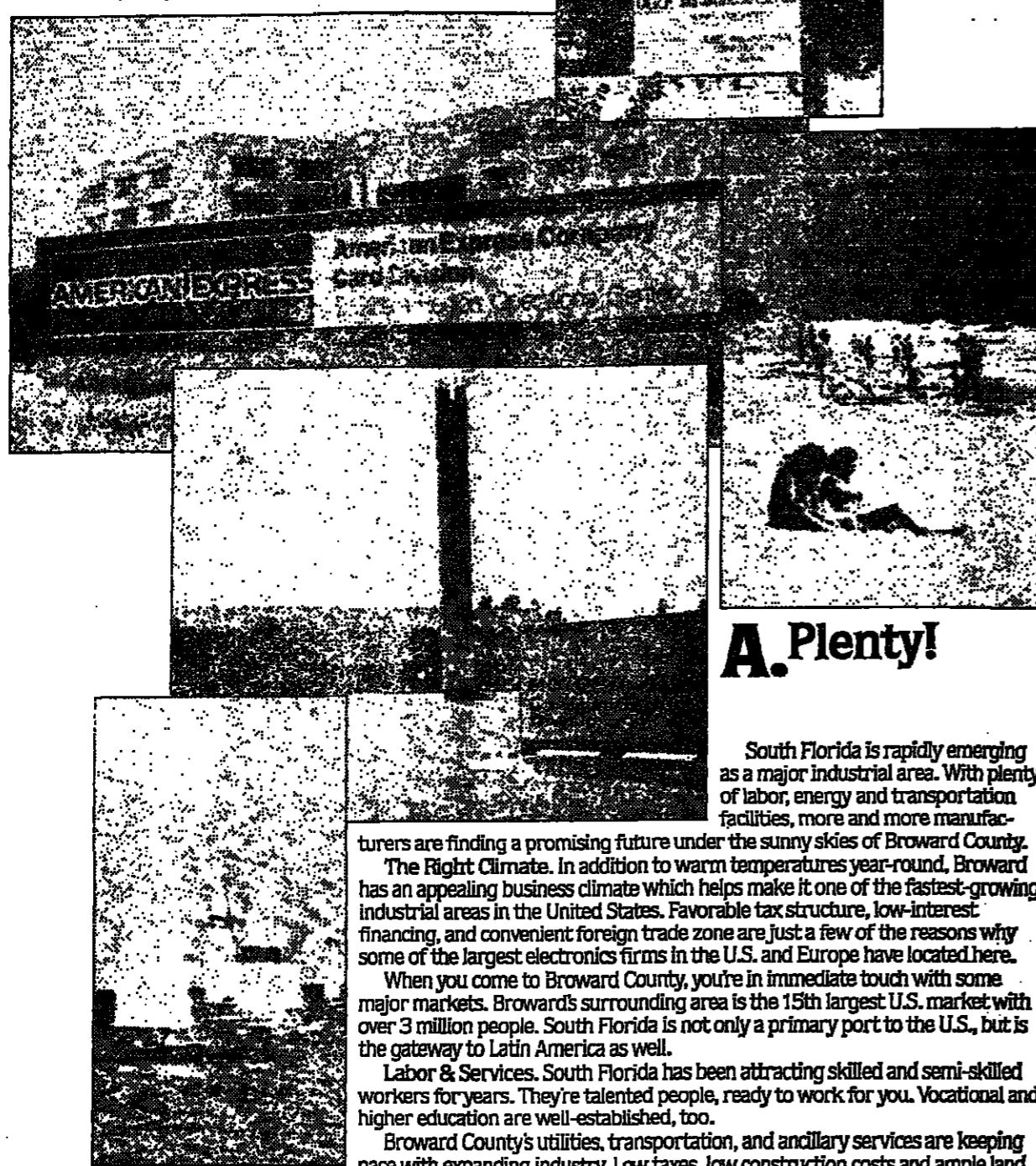
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IN JUNE of this year, as the tropical sun beat down on Miami, 500 anxious property investors queued for two hours to spend anywhere from \$70,000 to \$650,000 for new apartments which have yet to be built.

The queue is just one example of the property boom which is again sweeping southern Florida, and particularly Miami, only four years after the region experienced one of the most spectacular property market collapses in recent U.S. economic history.

By some estimates that collapse left investors, developers and speculators—and of course the banks and insurance companies which financed them holding well over \$1bn of property for which there was no ready market.

As the U.S. economy slipped swiftly into recession in 1974 developers who had built condominiums in the hope they would find buyers and offices on the off-chance that tenants would show up were caught in a fierce credit squeeze which dried up the market and left their financiers—especially property investment trusts and banks—scrambling for the only security they had—the properties themselves.

At one point in 1975 estate agents estimated that as many as 30,000 condominiums were standing empty in Florida, their owners looking for buyers. In the Miami metropolitan area alone employment in the construction industry almost halved from nearly 48,000 in 1973 to under 25,000 in 1975. The ripple effects of the collapse could be seen throughout the economy, with unemployment hitting 12.6 per cent compared with the national average of 8.5 per cent.

In some ways perhaps the recovery from that traumatic experience has been even more spectacular, if only because it was unexpected. At the time it was feared it would take years for the unwanted properties to clear the market. Today the major banks claim to have cleared the worst of their property related losses from their books and are looking forward, albeit with some circumspection, to helping to finance the new boom.

That circumspection is however, making other lenders more cautious in appraising the projects which are coming forward. They are, for example, asking developers to put up a more significant part of the finance and scrutinising prospective cash flows more closely. There are important differences between what is taking place today and the last boom; construction industry employment is still well below its 1974 peak, before the current cycle is over, the region will find itself having to cope with another period of overbuilding.

In part Dade County's commitment to urban rapid transit is born of necessity. The existing road system is already so clogged in rush hours and the expense (not to mention the physical problems) of expanding it so daunting in the face of the rapid population and business expansion now anticipated, that a rapid transit system linking communities by rail had an obvious appeal. Washington's enthusiasm for helping to finance such energy saving schemes provided an added allure.

The cost of the proposed rapid transit system is not, incidentally, included in the total \$1.6bn of property development Mr. Kenzie projects. This includes construction ranging from offices and new hotels to university buildings and new government facilities. Such a major restructuring of a U.S. city (the population of the city of Miami itself is close to 400,000 and that of the surrounding Dade

County is 1.5m) is unlikely to be completed without some quarrelling.

Earlier this year the largest bank in Florida, Southeast Banking Corporation, was reportedly at odds with the private developer Theodore Gould over proposals for one of the prime downtown redevelopment sites—Ball Point—where Mr. Gould is proposing to build a complex of office, hotel and condominium towers at a cost of some \$180m.

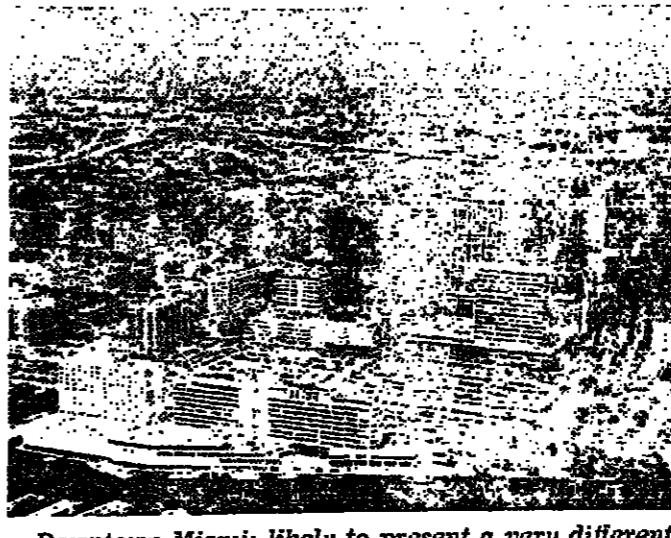
A stone's throw from Ball Point is Claughter Island, where property developer Charles Cheezum, in conjunction with a subsidiary of the Hong Kong-based Swire Properties, is planning a \$550m "citadel of residential luxury and security"—it was for space in the first phase of this project, to be called Brickell Key, that purchasers queued earlier in the year.

Mr. Kenzie can rattle off a string of multi-million dollar property development projects which, as they are completed, will alter the face of downtown Miami. The present total, he estimates is worth in the region of \$1.6bn. "Five years from now," he says, "it will be a different city, it will really be a city."

Perhaps the most striking proposal is not a property development at all but the \$1bn commitment to a new urban rapid transit system, with initially 20 miles of track designed to bring people from sprawling Dade County into the downtown area. The project cleared a referendum earlier this year and is the first of its kind in the south of the U.S. The overall scheme includes a \$100m "people mover" to get travellers from the single main downtown rapid transit station to their workplaces.

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Downtown Miami: likely to present a very different picture to the world

Chicago and the West Coast which have been coming to Miami since 1977.

But the high occupancy of the Biscayne Tower is not unique. Estate agents report that throughout the region, in Broward and Palm Beach counties as well as Dade and Miami itself, office occupancy rates are around 90 per cent and industrial land has been in heavy demand. There is little doubt, however, that some of the most striking property development now under construction or due to commence in coming months is in the city of Miami itself, a fact incidentally which has political as well as financial implications.

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gold rush scramble under way, and equally certainly it is highly unlikely that all of the projects will be completed on time, and some perhaps not at all. But there is considerable method, much of it being superimposed by the Downtown Development Authority, in the plans.

There is, for example, an emphasis on parks and cultural facilities which might not be there but for a guiding hand in the background. Recognising that one of Miami's strengths is the tourist traffic which comes through its airports and its docks, one of the objects of the development programme is to transform the city into an attractive and cosmopolitan centre which will encourage businesses to stay an extra day and the cruise passengers to get off their ships for a couple of days and spend money.

The aim is to capitalise on, and reinforce, the factors which have led to the resurgence in the Miami area in the past four years. It is significant, for example, that some of the world's best known and most highly regarded architects are involved in many of the projects, men like Philip Johnson, L.M. Pei, Hugh Stubbins, John Portman and Pietro Belluschi. Their involvement spawned a "There's a genius at work for you" advertising campaign relating to the developments.

Behind it all lies a burgeoning civic pride. Undoubtedly that pride was born out of fear and greed rather than public service. There was already evidence of the business establishment giving up on downtown Miami when the 1974 recession sent a shock wave through the whole community and business and government came together in a serious and sustained effort to try to tackle the underlying economic problems. That alliance, plus the increase in foreign, especially Latin American, visitors, provided the germs from which the present boom has grown.

Another key factor was the decision by local, generally Cuban, businessmen to take space in run-down retail stores in downtown Miami, partly with an eye on the prospects for trade with the South American visitors.

Now Roy Kenzie can talk of the alliance between business and government which has created the Downtown Development Authority, or at least breathed life into it. But he adds that in Miami "unlike Minneapolis or Chicago and other older cities (facing urban renewal problems) the public service ethic in the business community is only just being learnt. It takes a while to foster the spirit of giving."

**Stewart Fleming**

**Projects**

These are just two of the literally dozens of development projects in different stages of life. A downtown Government centre for the Miami Police headquarters and State Office building is under construction at a cost of \$250m. It will include a new county central library and an art and history museum. A \$55m World Trade Centre office tower 50 stories high is due to start building next year. According to Mr. Kenzie 150,000 sq ft of its 450,000 sq ft of space is already let. New classrooms are planned for Miami-Dade Community College which will be shared with Florida International University.

Several new shopping centres and bank headquarters are already under construction.

Coming across this orgy of property development unexpectedly one might reasonably question its coherence. Certainly there is something of a

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**Keyes**

# A stable base for trade

IN THE PAST four years South Florida's export trade has doubled as economic growth in the developing countries to the south has accelerated.

More significant perhaps has been the growing share of U.S. trade with Latin American and Caribbean countries (excluding Mexico) which South Florida has captured. It is this growth which illustrates the successful expansion of its commercial ties with these countries.

This in turn suggests that the region has begun to realise its potential for becoming an international trading centre, an entrepot linking Latin American countries with the vast markets of the U.S., Europe and the Far East while at the same time providing companies in these countries with a stable base close to South America from which to chart their own export strategies.

The bare statistics are impressive. Between 1974 and 1978 U.S. export trade to Latin America and the Caribbean rose from about \$2bn to about \$4.5bn and imports increased from \$9.1bn to \$17.5bn. By 1978 almost one-third of U.S. exports to these countries went through southern Florida compared with only a fifth four years earlier.

This development of Dade, Broward and Palm Beach counties, but particularly Dade County in which the City of Miami is situated, owes much to geographical and historical accident. However, the fact that the potential is being realised reflects in part the awareness of the local business community, particularly the Latin American and Cuban minorities, of the opportunities to be exploited.

Geographical proximity to Latin American markets is undoubtedly a key factor in southern Florida's development as potentially the major trading port in the region, perhaps at some point in the future comparable to Hong Kong in the Far East.

But South Florida also has a large Spanish-speaking minority who are able to deal comfortably with Latin businessmen and a group of American business and political leaders have come to recognise that international trade and commerce offer one of the most promising routes towards the much-needed diversification of the local economy away from its dependence on tourism and property development.

The recognition of the opportunities in international trade can be seen in the moves by both Dade and Broward counties to establish free trade zones. The first to open was the Port Everglades zone in Broward County run by the Port Everglades Authority which operates the main port in the region for handling bulk cargo. Then earlier this year the Miami Free Zone Corporation officially opened its operations, which is claimed to be the largest free zone in the world.

The concept of the free zone was introduced into the U.S. in 1934 with the passage of the Free Trade Zone Act. The objective of the zones is to try to stimulate employment and business relating to inter-

national trade, and so enhance the economic development of the communities in which they are located.

The idea has spread slowly in the U.S., however, which is not entirely surprising, given the relatively small part international trade has played in the U.S. economy overall and the distances from international markets of many of the major U.S. cities. Today only 32 free zones are in operation.

In essence the idea of the free zone is quite straightforward although companies which take advantage of the opportunities a free zone presents say that to get the full benefit a businessman needs the guidance of lawyers familiar with U.S. customs laws.

A free zone is an area which is considered for customs purposes to be outside the U.S. although it is physically located on the U.S. mainland. Thus goods shipped into the zone from abroad are free from liability for customs duties until they are released into the U.S., while those brought into the zone from overseas and then shipped on to foreign markets pay no duty at all.

## Duty

Within the zone there are few limits on what can be done with the goods. For example, companies can manufacture goods in a free zone using, say, part-imported materials without paying duty on them. Goods can be stored indefinitely, exhibited or repacked.

Space in a free zone can be more expensive per square foot than the nearest equivalent, a bonded warehouse, but depending on the value of goods and the level of duties on them a free-zone can be much more attractive than a bonded warehouse.

One occupant of the Miami zone, GTE International, even uses the facility as a distribution centre for U.S.-manufactured goods going to Latin America, as well as goods brought in from the company's plant in Belgium. The company cited the greater operational efficiency it provides in handling the company's exports to Latin America to explain its decision.

Among the factors which contribute to this efficiency is the

fact that, unlike a bonded warehouse, operations within the zone do not have to be regulated by customs officers, but can be carried on by company staff.

Mr. Lou Papadopoulos, who has over \$1m-worth of Chinese jade stored in the Miami zone, points to the savings his company, China Canton Arts Corporation, can make on the cost of financing U.S. customs duties of as high as 70 per cent, by operating in the zone. His company, owned by his father whose business is headquartered in Chile, has the exclusive licence for importing jade from the People's Republic of China into Florida. He sees the Miami zone as a base not only for selling into the U.S., but also to other Latin American countries and Europe.

The proximity of the Miami airport with its daily flights to Latin American, European and Far Eastern countries as well as an expanding number of U.S. cities, is one attraction of the zone. But there are others. It is, for example, located in a country which is politically stable.

Ms Myra Wilkins of Florida International University, in her book on foreign investment in Florida, says that the fact that occupants are not subject to political bribery as occupants of some other free zones is another factor in the Miami zone's favour. So is the availability of bilingual staff.

She adds, however, that tax rates in Florida and minimum wage requirements are less favourable than at the Panama free zone in Colon.

According to Mr. R. A. Suarez-Del Campo, assistant to the president of the Free Zone Corporation, about 90 per cent of the currently available space is now leased. The 73-acre site has 750,000 sq ft of leasable space and a third building is in the planning stage.

He expects that no more than 20 per cent of the business will be in the form of manufacturing and assembly operations, but the company is planning an even larger facility nearby aimed directly at the market for companies who want free zone production facilities of that type.

The existing facilities which represent an investment of

Stewart Fleming

# The phenomenon of Coral Gables

IT WAS in June of 1977 that Mr. David Heenan, Dean of the College of Business Administration at the University of Hawaii, published an article in the Harvard Business Review entitled "Global Cities of Tomorrow."

He cited three cities whose development he suggested would lead them to emulate multinational corporations in the breadth of their international links because of the growing importance of multi-national companies to them, and the cities' active interest in fostering this development. The three cities he looked at most closely were Paris, Honolulu and . . .

Coral Gables is a fascinating phenomenon. In 1977 the city housed the Latin American headquarters of about 35 multinational corporations including Exxon, Gulf Oil, International Telephone and Telegraph and Dow Chemical. Today that figure has risen to close to 100.

Yet it has to be conceded that the development of Coral Gables is a more unlikely global city than Coral Gables is hard to imagine. Indeed, by most standards it would hardly class as a city at all with its population of about 50,000 located in what looks to all intents and purposes to be a suburb of Miami. Moreover, there are those who argue that the "global cities" thesis with its emphasis on the growing tendency of giant companies to set up regional headquarters was to a degree exaggerated.

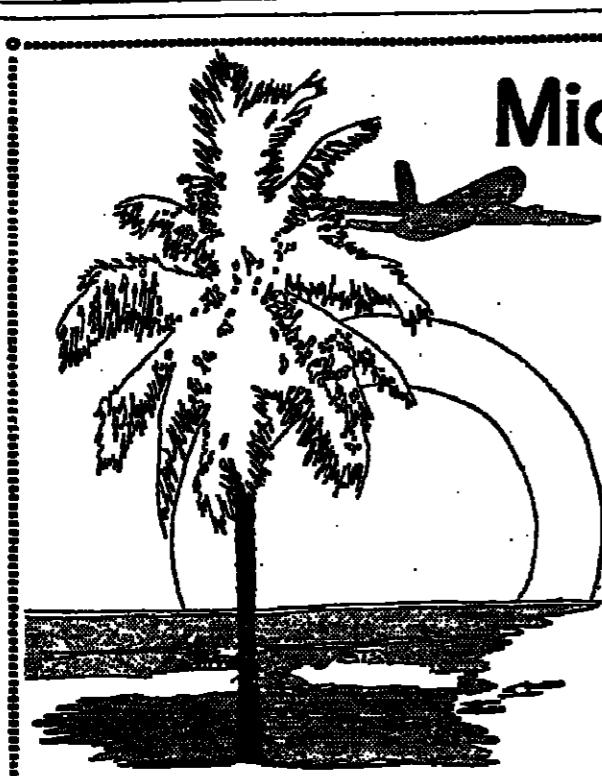
The city has also been aiming to secure the location of the

CONTINUED ON NEXT PAGE

**Keyes**

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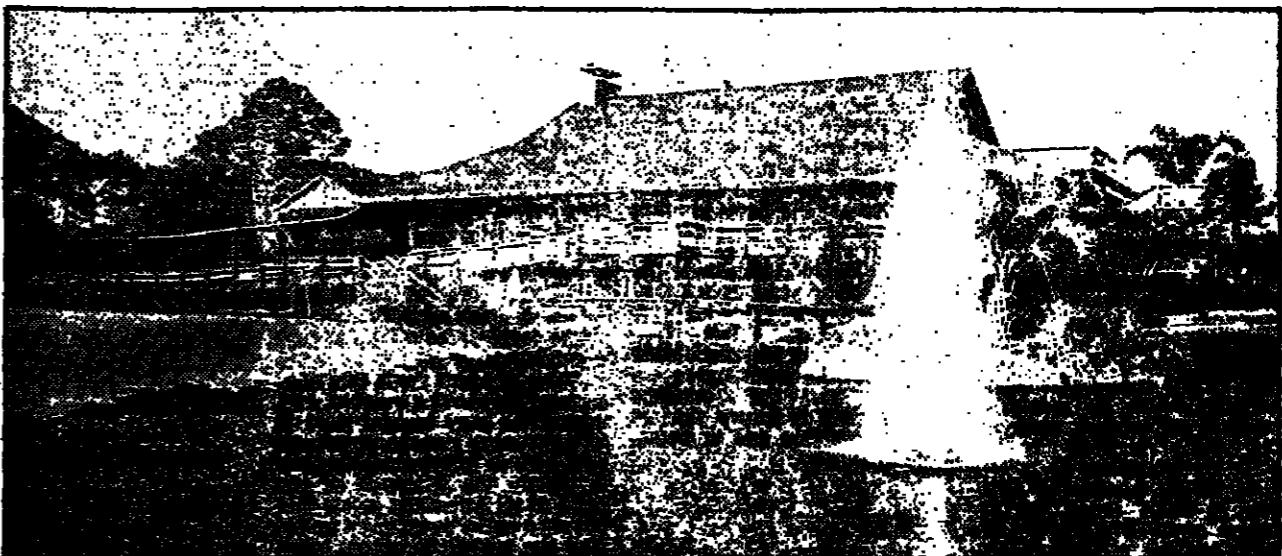
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In contrast, the zone at Port Everglades in Broward County, the port itself is the second largest petroleum-importing site in the U.S.—a public utility, in effect owned by the residents of Broward County and operated by the Port Everglades authority.

Currently it is smaller than the Miami zone with 140,000 sq ft of space, although it is set on 82 acres of land. More than 80 per cent of the facility is rented, with tenants including an Italian tile manufacturer and a Hong Kong importer.

The Port Everglades zone also has ambitions to provide services for manufacturing and is currently negotiating with a Germany company for the establishment of a 50,000 sq ft satellite zone to be set up near the existing one in which the German company would establish a manufacturing plant with all the duty-free advantages of the free zone itself.

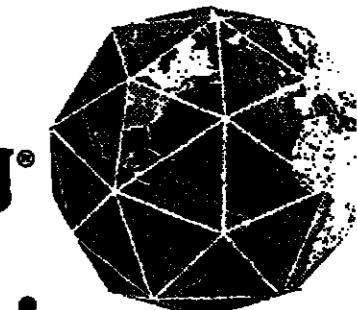
One of the attractions of both zones to customers handling high-value goods is security; indeed, one local manufacturer uses the Broward zone to store computer equipment simply because of the security of the site.

The Miami zone has a similar emphasis on security, partly because close control of inventory is essential from the viewpoint of the U.S. customs. Its doors to individual warehouses are computer-monitored, with the time at which they are opened recorded and signalled, and there is a computerised stock-control system.

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## SOUTH FLORIDA VI

IT IS IMPOSSIBLE to look seriously at the economy of the State of Florida without paying very close attention to its agricultural industry. For Florida's agriculture is big by anyone's standards: it has for instance been estimated that of 2.7m jobs in the State, one quarter are agriculture dependent.

And from a farming stand-point it is South Florida that is the most fascinating, diverse, and in some respects bizarre. South of a line in the region of latitude 27°N lie 10 counties. In the northern centre of this region is Lake Okeechobee and spilling down its coastal sides towards the southern tip of the State are tongues of depressions, sandy flatlands. Due to the lake is swamp and reclaimed swamp.

On paper none of this sounds very exciting but the reclaimed swamplands of Palm Beach County are unlike any other agricultural area in the civilised world. It is a land and a landscape that make an indelible impression on anyone used to seeing their farming in a kinder environment.

It is worth examining this region in some detail for it reveals a compelling history of success against all the odds. Climatically the area has the dubious advantage that killing frosts are likely to occur no more frequently than one year in two while the mean annual temperature is over 73°F and the rainfall almost nowhere less than 55 inches per annum. The rainfall, moreover, is irregular and ever since the area was first settled, hurricane induced flooding has threatened both property and humanity.

# The salad centre of the South

Indeed, it was following the disastrous floods of 1947 that a massive water control programme was instituted and this, together with detailed land surveys resulted in the designation of the most important farming part of the region as the Everglades Agricultural Area. It was recognised from the outset, however, that its drained, highly organic soils would in time subside. Current estimates are that by the year 2000 87 per cent of the area will bear soil of less than one metre in thickness unless the plans now being considered for water table management are put into effect. Outwardly so robust and unyielding therefore, the environment is actually one of extreme fragility with a future that at best is uncertain and at worst, is pretty bleak.

## Pival

None the less, at the present time, the proverbial hay is being made while the very real sun shines. The year 2000 is still a long way off and the reclaimed swamplands are the heart of Florida's winter vegetable industry. "The Winter Vegetable Capital of the World" is how the town of Belle Glade greets its visitors.

Certainly Florida is the major producer of American fresh



"Wall-to-wall" celery growing on the black reclaimed soils of the Everglades Agricultural Area

winter vegetables but it is closely rivalled by California and now also closely competed with Mexico. It is possible to stand in fields in Palm Beach county and see nothing but celery to every horizon—"wall to wall salad" I heard it called. Palm Beach County, moreover, is the centre of production not only for celery but most other winter vegetables also, including snap beans, cabbage, sweet corn, eggplant, lettuce, peppers and squash. Only the massive tomato industry is concentrated more to the South in the Homestead region of Dade county.

responded most rapidly and to home. In recent years Florida's acreage of sugar cane has exceeded 300,000 and it continues to rise and to eat into traditional vegetable producing areas. In the year 1977-78, the total cash receipts from sugar cane were about \$215m which ranked second only to oranges in the Florida crops league.

Not only is the land under cane increasing but the production is also becoming more efficient. During the peak cutting season around 10,000 workers are employed, of whom

a high proportion are brought in under contract from the Caribbean although this figure is likely to fall dramatically with the increase in mechanical harvesting of the crop.

The sugar cane industry nonetheless also highlights a problem of increasing worry to Florida agriculture as a whole: the provision of adequate capital and credit facilities. Already there is a marked trend towards more renting of farm land and it has been recognised officially that "full ownership of all productive resources by the farmer may not be feasible or practical in modern agriculture tomorrow's farmers may seldom be free of debt."

The problem faced by the financers of agriculture will be increasingly to make loans to farmers assessed on estimates of their cash flow and general managerial ability rather than on their possession of real estate or other collateral. Sugar production above all the agricultural industries does need capital; the total invested in land and mills alone is now around \$1,000m and this, coupled with such matters as the 50 per cent sugar loss that can result from a severe freeze means that no one doubts the challenge that such an enterprise must present both to the suppliers and receivers of the supporting funds.

In this article it has been

realistic to highlight only two important agricultural industries of South Florida but taken as a whole, this agriculture region and indeed the entire state is rich in its diversity.

Agriculture is also the fastest growing Florida industry and a few years ago it was put appropriately under the microscope by the Institute of Food and Agricultural Sciences of the University of Florida, Gainesville. Their report was a lavish and compelling document that took as its theme the massive urban development of the State

and the ways in which agriculture might respond to it.

Emphasis was placed on teaching and research, on better utilisation of land, of water and of other resources, increased mechanisation, with a concomitant solution to the unemployment it would create and a means of overcoming the associated additional fuel burden.

But central to the whole business of agriculture was a realisation that the ways to attract credit and capital, the life-blood of the industry, were either product diversification with the risk spread among enterprises or integration through multiple levels of the production-processing-distribution chain. Both probably the greater challenge of all to those in Florida's agricultural management.

Nicholas Edward

## Coral Gables

CONTINUED FROM PREVIOUS PAGE

regional headquarters of Latin American and European companies. Volvo and Taft and Lyle have offices there.

One factor which accounts for the development of Coral Gables as a centre for the location of regional headquarters of multinational companies was a decision by the city to go out and campaign to attract such commercial enterprises in an effort to offset the serious decline in its major industry, retailing. The city had noticed that Exxon's regional headquarters was there, having been moved from Montreal, and it decided to see if other companies with Latin American interests could be attracted.

It is this evangelical fervour which probably helps to account for the fact that it was Coral Gables not Miami or some other city which attracted the early regional headquarters of a type that had been resolved. However, the city has developed a natural magnetism in attracting more company offices.

One senior executive in charge of the local operations of a large U.S. multi-national argued that the mere presence in the city of so many executives interested in Latin American business and with knowledge of the countries made Coral Gables an attractive location. An information network had developed through which executives were able to swap impressions of trading conditions or political developments in different markets, he said.

Another factor which has contributed to the development of

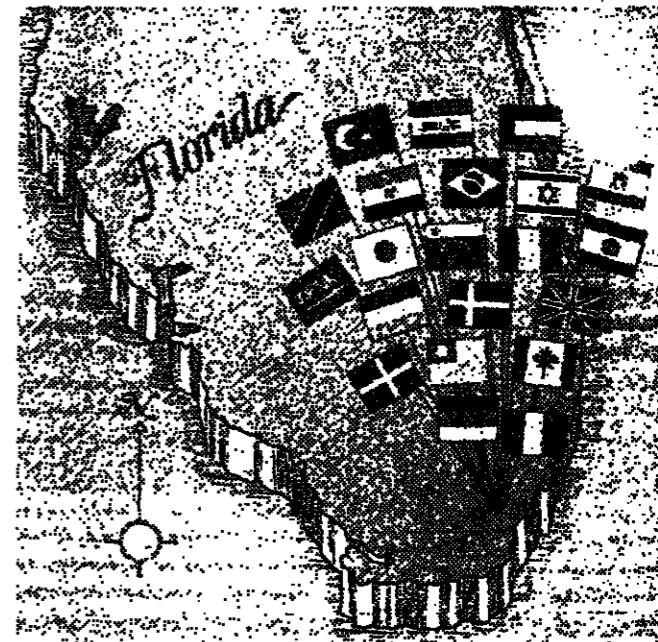
the city as a regional headquarters has been the rising cost of keeping American executives abroad, especially with changes in tax laws which have, in effect, required the U.S. companies to pay U.S. income taxes since these are not fully offset against overseas tax payments. Fears about the safety of senior executives in some countries are another factor.

In his study of the "global cities" phenomenon Mr. Hogan cited such factors as political stability, supporting infrastructure, ease of communications and the cost of maintaining expatriate staff as factors in companies' decisions on locating their regional headquarters. Coral Gables scores well on these, particularly in relation to air transport, communications to Latin American countries—Miami Airport is only ten minutes away.

It has another advantage too in that it is easy to get foreign language-speaking staff because of the spreading bilingualism in the Miami area. Also, Miami is becoming a more and more attractive place for South American businessmen to visit and work in.

The expansion of the international banking activities in the city will reinforce this, although this development is of less direct importance to the regional headquarters themselves since key financial decisions are most often taken at corporate rather than regional head offices.

Stewart Fleming



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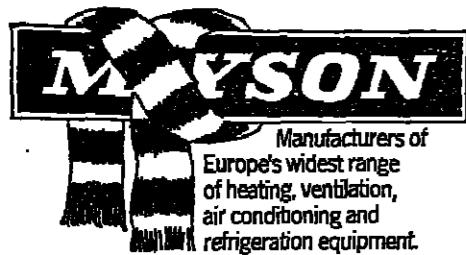
That's BTR

## FT SHARE INFORMATION SERVICE

## BRITISH FUNDS

Interest	Stock	Price	Last	Yield
"Shorts" (Lives up to Five Years)				
Treasury 5% 1990	97 1/2	97 1/2	97 1/2	5.00
14/14 Treasury 5% 1991	97 1/2	97 1/2	97 1/2	5.00
15/15 Treasury 5% 1992	94 1/2	93 1/2	93 1/2	5.00
16/16 Treasury 5% 1993	94 1/2	93 1/2	93 1/2	5.00
17/17 Treasury 5% 1994	92 1/2	91 1/2	91 1/2	5.00
18/18 Treasury 5% 1995	92 1/2	91 1/2	91 1/2	5.00
19/19 Treasury 5% 1996	92 1/2	91 1/2	91 1/2	5.00
20/20 Treasury 5% 1997	92 1/2	91 1/2	91 1/2	5.00
21/21 Treasury 5% 1998	92 1/2	91 1/2	91 1/2	5.00
22/22 Treasury 5% 1999	92 1/2	91 1/2	91 1/2	5.00
23/23 Treasury 5% 2000	92 1/2	91 1/2	91 1/2	5.00
24/24 Treasury 5% 2001	92 1/2	91 1/2	91 1/2	5.00
25/25 Treasury 5% 2002	92 1/2	91 1/2	91 1/2	5.00
26/26 Treasury 5% 2003	92 1/2	91 1/2	91 1/2	5.00
27/27 Treasury 5% 2004	92 1/2	91 1/2	91 1/2	5.00
28/28 Treasury 5% 2005	92 1/2	91 1/2	91 1/2	5.00
29/29 Treasury 5% 2006	92 1/2	91 1/2	91 1/2	5.00
30/30 Treasury 5% 2007	92 1/2	91 1/2	91 1/2	5.00
31/31 Treasury 5% 2008	92 1/2	91 1/2	91 1/2	5.00
32/32 Treasury 5% 2009	92 1/2	91 1/2	91 1/2	5.00
33/33 Treasury 5% 2010	92 1/2	91 1/2	91 1/2	5.00
34/34 Treasury 5% 2011	92 1/2	91 1/2	91 1/2	5.00
35/35 Treasury 5% 2012	92 1/2	91 1/2	91 1/2	5.00
36/36 Treasury 5% 2013	92 1/2	91 1/2	91 1/2	5.00
37/37 Treasury 5% 2014	92 1/2	91 1/2	91 1/2	5.00
38/38 Treasury 5% 2015	92 1/2	91 1/2	91 1/2	5.00
39/39 Treasury 5% 2016	92 1/2	91 1/2	91 1/2	5.00
40/40 Treasury 5% 2017	92 1/2	91 1/2	91 1/2	5.00
41/41 Treasury 5% 2018	92 1/2	91 1/2	91 1/2	5.00
42/42 Treasury 5% 2019	92 1/2	91 1/2	91 1/2	5.00
43/43 Treasury 5% 2020	92 1/2	91 1/2	91 1/2	5.00
44/44 Treasury 5% 2021	92 1/2	91 1/2	91 1/2	5.00
45/45 Treasury 5% 2022	92 1/2	91 1/2	91 1/2	5.00
46/46 Treasury 5% 2023	92 1/2	91 1/2	91 1/2	5.00
47/47 Treasury 5% 2024	92 1/2	91 1/2	91 1/2	5.00
48/48 Treasury 5% 2025	92 1/2	91 1/2	91 1/2	5.00
49/49 Treasury 5% 2026	92 1/2	91 1/2	91 1/2	5.00
50/50 Treasury 5% 2027	92 1/2	91 1/2	91 1/2	5.00
51/51 Treasury 5% 2028	92 1/2	91 1/2	91 1/2	5.00
52/52 Treasury 5% 2029	92 1/2	91 1/2	91 1/2	5.00
53/53 Treasury 5% 2030	92 1/2	91 1/2	91 1/2	5.00
54/54 Treasury 5% 2031	92 1/2	91 1/2	91 1/2	5.00
55/55 Treasury 5% 2032	92 1/2	91 1/2	91 1/2	5.00
56/56 Treasury 5% 2033	92 1/2	91 1/2	91 1/2	5.00
57/57 Treasury 5% 2034	92 1/2	91 1/2	91 1/2	5.00
58/58 Treasury 5% 2035	92 1/2	91 1/2	91 1/2	5.00
59/59 Treasury 5% 2036	92 1/2	91 1/2	91 1/2	5.00
60/60 Treasury 5% 2037	92 1/2	91 1/2	91 1/2	5.00
61/61 Treasury 5% 2038	92 1/2	91 1/2	91 1/2	5.00
62/62 Treasury 5% 2039	92 1/2	91 1/2	91 1/2	5.00
63/63 Treasury 5% 2040	92 1/2	91 1/2	91 1/2	5.00
64/64 Treasury 5% 2041	92 1/2	91 1/2	91 1/2	5.00
65/65 Treasury 5% 2042	92 1/2	91 1/2	91 1/2	5.00
66/66 Treasury 5% 2043	92 1/2	91 1/2	91 1/2	5.00
67/67 Treasury 5% 2044	92 1/2	91 1/2	91 1/2	5.00
68/68 Treasury 5% 2045	92 1/2	91 1/2	91 1/2	5.00
69/69 Treasury 5% 2046	92 1/2	91 1/2	91 1/2	5.00
70/70 Treasury 5% 2047	92 1/2	91 1/2	91 1/2	5.00
71/71 Treasury 5% 2048	92 1/2	91 1/2	91 1/2	5.00
72/72 Treasury 5% 2049	92 1/2	91 1/2	91 1/2	5.00
73/73 Treasury 5% 2050	92 1/2	91 1/2	91 1/2	5.00
74/74 Treasury 5% 2051	92 1/2	91 1/2	91 1/2	5.00
75/75 Treasury 5% 2052	92 1/2	91 1/2	91 1/2	5.00
76/76 Treasury 5% 2053	92 1/2	91 1/2	91 1/2	5.00
77/77 Treasury 5% 2054	92 1/2	91 1/2	91 1/2	5.00
78/78 Treasury 5% 2055	92 1/2	91 1/2	91 1/2	5.00
79/79 Treasury 5% 2056	92 1/2	91 1/2	91 1/2	5.00
80/80 Treasury 5% 2057	92 1/2	91 1/2	91 1/2	5.00
81/81 Treasury 5% 2058	92 1/2	91 1/2	91 1/2	5.00
82/82 Treasury 5% 2059	92 1/2	91 1/2	91 1/2	5.00
83/83 Treasury 5% 2060	92 1/2	91 1/2	91 1/2	5.00
84/84 Treasury 5% 2061	92 1/2	91 1/2	91 1/2	5.00
85/85 Treasury 5% 2062	92 1/2	91 1/2	91 1/2	5.00
86/86 Treasury 5% 2063	92 1/2	91 1/2	91 1/2	5.00
87/87 Treasury 5% 2064	92 1/2	91 1/2	91 1/2	5.00
88/88 Treasury 5% 2065	92 1/2	91 1/2	91 1/2	5.00
89/89 Treasury 5% 2066	92 1/2	91 1/2	91 1/2	5.00
90/90 Treasury 5% 2067	92 1/2	91 1/2	91 1/2	5.00
91/91 Treasury 5% 2068	92 1/2	91 1/2	91 1/2	5.00
92/92 Treasury 5% 2069	92 1/2	91 1/2	91 1/2	5.00
93/93 Treasury 5% 2070	92 1/2	91 1/2	91 1/2	5.00
94/94 Treasury 5% 2071	92 1/2	91 1/2	91 1/2	5.00
95/95 Treasury 5% 2072	92 1/2	91 1/2	91 1/2	5.00
96/96 Treasury 5% 2073	92 1/2	91 1/2	91 1/2	5.00
97/97 Treasury 5% 2074	92 1/2	91 1/2	91 1/2	5.00
98/98 Treasury 5% 2075	92 1/2	91 1/2	91 1/2	5.00
99/99 Treasury 5% 2076	92 1/2	91 1/2	91 1/2	5.00
100/100 Treasury 5% 2077	92 1/2	91 1/2	91 1/2	5.00
101/101 Treasury 5% 2078	92 1/2	91 1/2	91 1/2	5.00
102/102 Treasury 5% 2079	92 1/2	91 1/2	91 1/2	5.00
103/103 Treasury 5% 2080	92 1/2	91 1/2	91 1/2	5.00
104/104 Treasury 5% 2081	92 1/2	91 1/2	91 1/2	5.00
105/105 Treasury 5% 2082	92 1/2	91 1/2	91 1/2	5.00
106/106 Treasury 5% 2083	92 1/2	91 1/2	91 1/2	5.00
107/107 Treasury 5% 2084	92 1/2	91 1/2	91 1/2	5.00
108/108 Treasury 5% 2085	92 1/2	91 1/2	91 1/2	5.00
109/109 Treasury 5% 2086	92 1/2	91 1/2	91 1/2	5.00
110/110 Treasury 5% 2087	92 1/2	91 1/2	91 1/2	5.00
111/111 Treasury 5% 2088	92 1/2	91 1/2	91 1/2	5.00
112/112 Treasury 5% 2089	92 1/2	91 1/2	91 1/2	5.00
113/113 Treasury 5% 2090	92 1/2	91 1/2	91 1/2	5.00
114/114 Treasury 5% 2091	92 1/2	91 1/2	91 1/2	5.00
115/115 Treasury 5% 2092	92 1/2	91 1/2	91 1/2	5.00
116/116 Treasury 5% 2093	92 1/2	91 1/2	91 1/2	5.00
117/117 Treasury 5% 2094	92 1/2	91 1/2	91 1/2	5.00
118/118 Treasury 5% 2095	92 1/2	91 1/2	91 1/2	5.00
119/119 Treasury 5% 2096	92 1/2	91 1/2	91 1/2	5.00
120/120 Treasury 5% 2097	92 1/2	91 1/2	91 1/2	5.00
121/121 Treasury 5% 2098	92 1/2	91 1/2	91 1/2	5.00
122/122 Treasury 5% 2099	92 1/2	91 1/2	91 1/2	5.00
123/123 Treasury 5% 2100	92 1/2	91 1/2	91 1/2	5.00</td





Monday October 29 1979



# Bank of England in gearing ratio clash

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

SOME of the Bank of England's proposals for judging the adequacy of banks' capital resources have come in for strong criticism from IBRO, the London clearing banks' research organisation.

IBRO says the Bank's proposal to apply a gearing ratio for prudential control purposes is "unconvincing" and should be dropped.

It expresses surprise that the 1974 banking crisis "has not engendered a more jaundiced view of the riskiness of property," and says that the Bank's method of treating deferred tax could penalise conservative banks.

The gearing ratio is one of two measures of capital adequacy set out in a confidential Bank of England discussion paper which has circulated in the City for some months.

It would be arrived at by taking shareholders' funds, less fixed assets, as a proportion of total deposit liabilities. The second prudential measure, known as the risk assets ratio, specifies the extent to which individual risk assets need to be covered by a bank's capital.

According to IBRO the views "in this area."

essential role of capital is to protect a bank against losses. It follows from this that capital should be related to the risks inherent in the bank's business. A criterion based on risk assets makes sense from this standpoint, but one which relates capital to liabilities does not."

The Bank of England sees the gearing ratio as useful to depositors and other bank creditors because it may be calculated roughly from a bank's published accounts.

IBRO claims, however, that its effect "will be to fossilise the procedures adopted by the market in appraising capital adequacy in their present unsatisfactory form."

"It is a vicious circle: the Bank calculates a gearing ratio because it believes the market is relying on a gearing ratio, and the market will continue to calculate a gearing ratio because it knows that the Bank is calculating one."

IBRO calls on the Bank of England to use its position to improve market practice, adding that clearing banks themselves "may need to refine their own

views" in this area.

## Treasury predicts steep fall in metal-using industries

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

A CONFIDENTIAL Treasury economic projection shows a steep decline over the next four years in Britain's metal-using industries.

According to the forecast, motor vehicle production will fall by 21 per cent by 1983, mechanical engineering by 23 per cent, and "other metal goods" by nearly 25 per cent.

The Treasury assumes that the current loss of UK competitiveness will be restored by the end of 1980, but that the position will then deteriorate.

Although the projections are the first estimates from a mathematical model, and are subject to modification, their very existence could prove embarrassing to the Government.

Ministers have been warning that the outlook for sectors of industry is bleak in the short term both as a consequence of the Government's overall policies and the expected recession world-wide. But the

Government's message to industry is that in the medium term, when its policies have had time to produce results, the situation will start to improve.

The industry, however, is not particularly impressed by this argument. It points out that the Treasury's forecasting record has not been at all bad in the past, and is taking the view that these figures would probably have not been very different even if the policy changes had not been taken into account.

Leading people in the industry have been sufficiently disturbed to seek some explanation from the Treasury. Their feeling is that such a radical decline in these major industries must all be for the introduction of new policies by the Government.

It is believed that the energy-producing industries and the motor industry may also have been given some indication of what is in the forecasts.

## Rate support grants to go

BY PAUL TAYLOR

THE GOVERNMENT is planning to sweep away the present rate support grant system for funding local government.

The new system, to be introduced for 1981-82, will involve much tighter Government influence over local authority spending plans and hence over the level of rate increases.

Proposals for a "unitary" grant system are expected to be included in the Local Government Planning and Land Bill, to be published later this autumn.

Under this system each local authority will be told how much it should spend on services and how much it should collect through rates. The balance between expenditure and rate income will be made up by Government grants.

At present local authorities tell the Environment Secretary how much they want to spend

on providing services.

The grant paid to an individual local authority is based directly, through a complicated statistical formula, to how much the authority has previously spent on services.

Once the grant has been set a local authority is entirely free to decide on the level of services it will provide and to adjust its rate demands to meet anticipated expenditure.

The Government is not involved in approving the level of services or indirectly telling local authorities how much their rates should be.

The proposals are expected to be fiercely opposed by the local authorities who will argue that the new grant system represents an unnecessary attack on local government's jealously-guarded financial autonomy.

Behind the move is concern

in Whitehall at the growth in local government spending — expected to total about £19bn in 1980-81 — and the probability of substantial rate increases next year, perhaps averaging between 20 and 30 per cent.

Once the grant has been set a local authority is entirely free to decide on the level of services it will provide and to adjust its rate demands to meet anticipated expenditure.

He appears to have been convinced by senior civil servants in the Department of Environment, who have long favoured the unitary grants, that such a system could solve both the problems of the present grant system and provide greater central control over all council spending.

Continued from Page 1

## Callaghan faces further challenges from Left

BY OUR LOBBY STAFF

LABOUR Left-wingers are to keep up their pressure on Mr. James Callaghan this week with two more challenges to his authority as party leader.

On Wednesday afternoon, his call to the Parliamentary Labour Party, to support him in demanding proper representation for MPs on the inquiry into the party's organisation is to be formally opposed by the Left.

The Germans, therefore, consider it desirable that the Dublin summit should provide guidelines on how this is to be done, notably through a cut in expenditure on surplus milk production and through a redefinition of EEC sugar quotas.

But it is felt highly unlikely that greater pressure will be quick enough to benefit Britain right away. And the SPD says it feels unable to force the pace without creating a Government coalition crisis with a general election looming next year.

The party's National Executive Committee has already ruled that PLP representation on the committee of inquiry should be limited to Mr. Callaghan and Mr. Michael Foot, his deputy.

## Fed policies face fresh attack after money supply error

BY STEWART FLEMING IN NEW YORK

REPRESENTATIVE Henry Reuss, chairman of the House Banking Committee, has called two of the seven members of the Federal Reserve Board to hearings in Washington today into the reporting error which Wall Street investors claim cost them millions of dollars by reducing the value of their investments.

On risk assets ratio, IBRO finds the proposed treatment of infrastructure (fixed assets) "noticeably less stringent" than the Bank's previous statement on capital adequacy.

"It is a vicious circle: the Bank calculates a gearing ratio because it believes the market is relying on a gearing ratio, and the market will continue to calculate a gearing ratio because it knows that the Bank is calculating one."

IBRO calls on the Bank of England to use its position to improve market practice, adding that clearing banks themselves "may need to refine their own

views" in this area.

He pointed out that the Central Bank's policies had attracted widespread support in Washington, in particular from the Carter Administration which had "the same priorities on inflation as us."

It is too early to say how

much political damage the Fed's new monetary policy may suffer as a result of the error and the central bank must hope that the future which has erupted as a result of this will blow over.

There are some signs however that critics of the Fed's revised monetary policy and the record interest rates which have resulted from its October 6 anti-inflation package, will try to exploit the money supply miscalculation. Mr. Ray Marshall, the U.S. Labour Secretary, and the House majority leader, Mr. Jim Wright, have both criticised in the past week the Fed's tight money policies.

Mr. Reuss, who had initially supported the Fed's October 6 announcement of new techniques for controlling the money supply, last week shifted his ground.

In a lengthy statement on Friday he argued that the high level of interest rates which had resulted from that policy — the commercial bank prime lending rate has jumped from 13 per cent to 15 per cent — might be counter-productive in fighting inflation.

Instead, he now called for stricter direction of bank lending by imposing reserve requirements not on the banks' deposit liabilities but on their loans. By varying reserve requirements on different types of loans, Mr. Reuss says bank lending could be channelled into productive sectors of the economy.

## Manley in bid to find Rhodesia compromise

BY BRIDGET BLOOM, AFRICA EDITOR

EFFORTS TO bridge the wide gap between Britain and the Patriotic Front over a proposed interim government for Rhodesia gathered pace yesterday as the Lancaster House conference moved into its eighth week.

On Friday, the two sides seemed poised for a showdown as the Front listed far-reaching objections to the British plan for an interim administration, accepted in its "broad principles" by the Salisbury delegation of Bishop Abel Muzorewa.

Yesterday, however, a major diplomatic effort began to find possible areas of compromise. The moves centred around Mr. Michael Manley, the Jamaican Prime Minister, who was one of the key figures in the formulation of the Commonwealth agreement on Rhodesia reached at last August's Lusaka summit.

Mr. Manley, who is in London after a Middle East visit, is expected to see Mrs. Thatcher, the Prime Minister, this evening.

Also involved in intense behind the scenes meetings yesterday were Mr. Shridath Ramphal, the Commonwealth Secretary-General and representatives of African front-line states and other Commonwealth countries.

While there was no official comment on any of the meetings held yesterday, observers believe their prime purpose is to clarify the Commonwealth position on the new British proposals as well as to determine what is in the forecasts.

degree to which either Britain or the Front can compromise in the interests of an all-party Rhodesia agreement.

At the centre of the argument between Britain and the Front is the proposal to control administrative and security arrangements for the run-up to the general elections in Rhodesia.

Britain proposes to appoint a British Governor with full legislative and executive powers who would, however, run the country through the existing Civil Service and, it would appear, police and army.

On Friday, the Front said such arrangements would give undue advantage to Bishop Muzorewa and insisted the United Nations should be involved in both a civilian and military capacity.

Yesterday, the Front said such arrangements would give undue advantage to Bishop Muzorewa and insisted the United Nations should be involved in both a civilian and military capacity.

While there was no official

comment on any of the meetings held yesterday, observers believe their prime purpose is to clarify the Commonwealth position on the new British proposals as well as to determine what is in the forecasts.

Outlook: Rain spreading to all parts.

Y/day	midday	midday
	°C	°F
Alicia	5 19	65
Aspire	5 19	65
Adams	5 20	68
Athens	5 16	61
Bahrain	5 32	88
Barcelona	5 17	63
Belfast	5 12	54
Berlin	5 24	75
Birmg.	5 8	43
Blackp.	5 7	45
Boulg.	5 10	50
Budapest	5 10	50
Cairo	5 20	68
Cast'brc's	5 19	65
Cape T.	5 18	64
Chicago	5 15	69
Colombia	5 9	48
Corfu	5 19	66
Dublin	5 12	54
Dbrvk.	5 19	66
Edinburgh	5 8	48
Faro	5 18	64
Florence	5 15	59
Frankf.	5 8	46
Funchal	5 22	72
Geneva	5 10	50
Gibraltar	5 19	66
Glasgow	5 15	59
G'may	5 13	55
Helsinki	5 1 34	32
H. Kong	5 27	80
Hebrd.	5 13	55
India	5 15	59
Istanbul	5 15	59
Jersey	5 12	54
Jo'burg	5 20	68
L. Plms	5 23	73
C-Cloudy. F-Fair. Fg-Fog. R-Rain. S-Sunny. Sf-Sleet. Sn-Snow.		

## THE LEX COLUMN

# Test for the BP underwriters

they will be happy to keep the shares.

This is because the big funds which like to match their portfolio against the All-Share Index always have difficulty in getting a satisfactory weighting in the stock since so much is held by the Government. Moreover, there are going to be no complications this time about a simultaneous offer in the U.S. as happened with the Government's last sale in 1977.

### Bullion buying

The immediate reaction to the news that UK citizens can once again own gold bullion has been unenthusiastic. The prospect of paying 15 per cent value added tax on any purchase is enough to put most investors off and, aside from selling krugerrands, the London bullion houses are not geared up for supplying sizeable retail demand.

Pretty well everything is already known about the BP issue, and there are unlikely to be any big surprises in the prospectus. All this should already be in the market price, so there is no argument for a discount of any size.

Indeed it might be possible to imagine an offer above the market price. This is because it is being handled on a partly paid basis, with less than half the money being called initially and a delay of two or three months before the second and final payment.

There is a tangible value to the investor in this delay. Less quantitatively, there is an option element in the opportunity which it provides to take a geared up view of the oil sector through to the turn of the year.

Instead, he now called for stricter direction of bank lending by imposing reserve requirements not on the banks' deposit liabilities but on their loans. By varying reserve requirements on different types of loans, Mr. Reuss says bank lending could be channelled into productive sectors of the economy.

At the centre of the argument between Britain and the Front is the proposal to control administrative and security arrangements for the run-up to the general elections in Rhodesia.

Britain proposes to appoint a British Governor with full legislative and executive powers who would, however, run the country through the existing Civil Service and, it would appear, police and army.

On Friday, the Front said such arrangements would give undue advantage to Bishop Muzorewa and insisted the United Nations should be involved in both a civilian and military capacity.

While there was no official

comment on any of the meetings held yesterday, observers believe their prime purpose is to clarify the Commonwealth position on the new British proposals as well as to determine what is in the forecasts.

Outlook: Rain spreading to all parts.

sort of pattern could develop in the UK.

It is far too early yet to know just how UK citizens and institutions will react to their newfound freedom to own gold. Over the last decade it would have been a very good investment. A £100 invested in bullion at the end of 1970 would now be worth £1,344 which compares with £833 and £174 for the same investment in the FT Gold Mines index and the FT All-share index respectively.

Until now the way into gold for UK institutions has been via gold shares.